



Board of Commissioners

Agenda and Materials

July 21, 2023

STATE BAR OF MICHIGAN
BOARD OF COMMISSIONERS
FRIDAY, JULY 21, 2023
AGENDA
Michael Franck Building
Lansing, MI
9:30 A.M.

State Bar of Michigan Statement of Purpose

“...The State Bar of Michigan shall aid in promoting improvements in the administration of justice and advancements in jurisprudence, in improving relations between the legal profession and the public, and in promoting the interests of the legal profession in this state.”

Rule 1 of the Supreme Court Rules Concerning the State Bar of Michigan

- I. Call to Order..... James W. Heath, President

CONSENT AGENDA

- II. **Minutes**
A. June 9, 2023 Board of Commissioners meeting*
- III. **President’s Activities**..... James W. Heath, President
A. Recent Activities*
- IV. **Executive Director’s Activities**..... Peter Cunningham, Executive Director
A. Recent Activities*
- V. **Finance**..... Erika L. Bryant, Chairperson
A. FY 2023 Financial Reports through May 2023*
- VI. **Professional Standards** Lisa J. Hamameh, Chairperson
A. Client Protection Fund Claims*

ELECTION OF OFFICERS

- VII. **Treasurer Election**..... James W. Heath, President
A. David C. Anderson**
B. Thomas H. Howlett**
C. James W. Low**
D. Gerard V. Mantese**

LEADERSHIP REPORTS

- VIII. **President’s and Executive Director’s Report** James W. Heath, President
Peter Cunningham, Executive Director
 - A. Rule 21 Update
 - B. Update on the Well-Being in the Law Task Force
 - C. Lawyers & Judges Assistance Program
 - D. Pro Bono Program: Road to Restoration Clinics
 - E. Staff Updates/Introductions
- XI. **Representative Assembly Report** Gerrow D. Mason, Chairperson
- X. **Young Lawyers Section Report** Coleman L. Potts, Chairperson

SPECIAL COMMITTEE

- XI. **Strategic Planning Committee** Thomas H. Howlett, Chairperson

COMMISSIONER COMMITTEES

- XII. **Public Policy** Daniel D. Quick, Chairperson
 - A. Court Rules**
 - B. Legislation**
- XIII. **Finance** Erika L. Bryant, Chairperson
 - A. FY 2023 Financial Report
 - B. FY 2024 Proposed Budget and Budget Assumptions*
- XIV. **Audit** Erika L. Bryant, Chairperson
- XV. **Professional Standards** Lisa J. Hamameh, Chairperson
 - A. Institute of Continuing Legal Education Executive Committee Appointment**
 - B. Michigan Indian Legal Services Board of Trustees Appointments**
- XVI. **Communications and Member Services** Joseph P. McGill, Chairperson
 - A. 50-Year Golden Celebration Report*
 - B. Great Lakes Legal Conference Report*

FOR THE GOOD OF THE PUBLIC AND THE PROFESSION

- XVII. **Comments or questions from Commissioners**
- XVIII. **Comments or questions from the public**
- XIX. **Adjournment**

*Materials included with agenda.

**Materials delivered or to be delivered under separate cover or handed out.

STATE BAR OF MICHIGAN
BOARD OF COMMISSIONERS MEETING MINUTES

President Heath called the meeting to order at 9:05 a.m. on Friday, June 9, 2023, in the Grand Pavilion Room of the Grand Hotel, Mackinac Island.

Commissioners present:

David C. Anderson	James W. Low
Yolanda M. Bennett	Gerard V. Mantese
Kristina A. Bilowus	Gerrow D. “Gerry” Mason
Erika L. Bryant, Treasurer	Joseph P. McGill, Vice President
Aaron V. Burrell	Thomas P. Murray Jr.
Hon. B. Chris Christenson	Valerie R. Newman
Thomas P. Clement	Nicholas M. Ohanesian
Tanya N. Cripps-Serra	Hon. David A. Perkins
Sherrie L. Detzler	Daniel D. Quick, President-Elect
Robert A. Easterly	Colemon L. Potts
Hon. Kameshia D. Gant	Delphia T. Simpson
Lisa J. Hamameh, Secretary	John W. Reiser III
James W. Heath, President	Hon. Kristen D. Simmons
Thomas H. Howlett	Danielle Walton
Suzanne C. Larsen	Hon. Erane C. Washington

Commissioners absent:

Takura N. Nyamfukudza	Mark A. Wisniewski
Matthew B. Van Dyk	

Guests

Rep. Andrew Fink

State Bar staff present:

Peter Cunningham, Executive Director
Drew Baker, General Counsel
Margaret Bossenbery, Executive Coordinator
Gregory Conyers, Program Director, Diversity Development Program
Darin Day, Program Director, Outreach
Molly Ranns, Director, Lawyers & Judges Assistance Program
Marjory Raymer, Director of Communications
Kari Thrush, Program Director, Lawyer Services
Nathan Triplett, Director, Governmental Relations

Consent Agenda

The Board received the minutes from the April 28, 2023, Board of Commissioners meeting.
The Board received the minutes from the February 9, 2023, Executive Committee meeting.
The Board received the recent activities of the president.
The Board received the recent activities of the executive director.
The Board received the FY 2023 financial reports through April 2023.
The Board received Unauthorized Practice of Law Claims.
The Board received Model Criminal Jury Instructions.
The Board received the Liberty Bell Award nomination.

Mr. Heath asked if any items needed to be removed from the consent agenda. There was none. A motion was offered to approve the consent agenda. The motion was seconded and approved.

LEADERSHIP REPORTS

President and Executive Director's Report: James Heath, President and Peter Cunningham, Executive Director.

Mr. Heath recognized Representative Andrew Fink, who attended as a guest and is also a past member of the Board.

Mr. Heath indicated that he has attended many meetings since the April meeting, but one that stands out was the Diversity Pipeline event. Many commissioners shared their experiences about the meeting, and all indicated that it was a success.

Justice For All (JFA) Commission

Mr. Quick summarized the most recent work of the JFA Regulatory and Practice Reform Committee.

Commission on Diversity Equity and Inclusion (DEI)

Ms. Bryant summarized the most recent work of the DEI Commission.

Officer Election Update

Mr. Heath informed the board that four commissioners submitted materials for the position of Treasurer for the 2023-2024 bar year. He stated that Commissioners Anderson, Howlett, Low, and Mantese will run for election for Treasurer which will occur at the July board meeting.

2023 State Bar Election Update

Ms. Bossenbery provided the board with an update on the elections for the Judicial Tenure Commission, and Board of Commissioners in District H and I. She stated that with a week to go the number of voters is almost equal to the total of voters in 2022 and encouraged commissioners to vote if they had not already and for them to contact their colleagues to do the same.

Rule 21 Update

Mr. Cunningham informed the Board that the portal for SBR 21, which requires mandatory succession planning for all private practice attorneys, is live. Attorneys can login to their SBM profile to identify an interim administrator or choose to have the SBM IAP program name one for them.

Representative Assembly (RA) Report: Gerrow D. Mason, Chairperson

Mr. Mason indicated that a "call-to-action" survey was sent to RA members, and they are still working on getting responses. He is working on having Coach Harbaugh, head football coach at the University of Michigan, cohost an event to raise money and awareness for the Access to Justice Fund. Additionally, he is working with Judge Melissa Pope to hold an SBM meeting at a tribal court location. Finally, the RA "Reform Committee" led by Mr. Ohanesian, is meeting on June 12 to finalize proposals to bring to the full RA at the September meeting.

Young Lawyers Section (YLS) Report: Colemon L. Potts, Chairperson

Mr. Potts provided the Board with an update on the activities of the YLS, including a pre-YLS Summit reception on June 23 in the Tigers Den at Comerica Park before the Tigers game and the YLS Summit taking place on June 24 at Little Caesars Arena. Mr. Potts stated that the two YLS awards, the Regeana Myrick Outstanding Young Lawyer Award and the Mentorship Award, will be awarded at the reception following the Summit.

Strategic Planning Committee: Thomas H. Howlett, Chairperson

2023-2024 Committee Resolution

Mr. Howlett reported there were minor changes to five committee jurisdictions in the 2023-2024 committee resolution that are described in the memo in the board materials.

A motion was offered to adopt the proposed changes and to approve the 2023-2024 committee resolution. The motion was supported and approved.

COMMISSIONER COMMITTEES

Public Policy: Dan D. Quick, Chairperson

Mr. Quick provided the report for the Public Policy committee.

Court Rules

ADM File No. 2019-33: Proposed Rescission of Administrative Order No. 2021-7 and Proposed Adoption of the Michigan Continuing Judicial Education Rules

Pursuant to Administrative Order No. 2021-7, the Mandatory Continuing Judicial Education (MCJE) Board proposed a set of rules that would govern the MCJE program, and the Court has published them for comment. Many of the rules directly correlate with a provision in AO 2021-7, though there are some additions and differences between the AO and the proposed rules. The MCJE program is set to take effect on January 1, 2024.

A motion was offered and supported to take no position and authorize the Judicial Ethics Committee to submit its position.

ADM File No. 2020-31: Proposed Amendment of MRPC 1.8

The proposed amendment of MRPC 1.8 would allow attorneys to provide certain assistance to indigent clients they are serving on a pro bono basis.

A motion was offered and supported to support ADM File No. 2020-31 in concept, but not as currently drafted. SBM supports its humanitarian exception proposal as submitted to the Court previously. The motion was approved.

ADM File No. 2021-10: Proposed Amendment of the Michigan Rules of Evidence

The proposed amendments of the Michigan Rules of Evidence (MRE) reflect the work of the Michigan Rules of Evidence Committee established by Administrative Order No. 2021-8. The Committee was tasked with restyling the MREs in an effort to remain as consistent as possible with the 2011 restyling of the Federal Rules of Evidence. Major reorganization of the rules appears in MRE 803 and MRE 804 where the residual exceptions found in both rules are moved into a new MRE 807, and in MRE 804 where the exception regarding deposition testimony is moved up from subrule (b)(5) to proposed subrule (b)(2).

A motion was offered and supported to support the amendments of the Michigan Rules of Evidence with a recommendation that the Court add language stating explicitly that the amendments are stylistic, not substantive, changes; and further recommend that the Court reestablish a Standing Committee on Rules of Evidence. The motion was approved.

ADM File No. 2023-06: Amendments of MCR 6.001 and 8.119 and Addition of MCR 6.451 with concurrent comment period

The amendment of MCR 8.119 requires courts to restrict access to case records involving set aside convictions similar to how MCL 780.623 restricts access to records maintained by the Michigan State Police. The amendment further requires the court to redact information regarding any conviction that has been set aside before that record is made available. The addition of MCR 6.451 requires the court to provide notice and an opportunity to be heard before reinstating a conviction for failure to make a good faith effort to pay restitution under MCL 780.621h(3) and to order the reinstatement on an SCAO-approved form. The amendment of MCR 6.001 clarifies that MCR 6.451 applies to cases cognizable in the district courts.

A motion was offered and supported to support ADM File No. 2023-06. The motion was approved.

ADM File No. 2023-06: Proposed Amendments of MCR 6.110 and 8.119

The proposed amendment of MCR 8.119 would require all case records maintained by the district court to become nonpublic immediately after bindover to the circuit court. This proposal would also amend MCR 6.110(G) to expand the types of documents that must be transmitted to the circuit court to ensure appropriate public access to the circuit court. The proposal would consolidate public access in the circuit court case file and would also uniformly ensure that information regarding set aside criminal offenses in the circuit court cannot be separately accessed in the district court case file.

A motion was offered and supported to support the proposed amendments to Rule 6.110 and oppose the proposed amendments to Rule 8.119. The Board further recommends that the amendment to Rule 8.119 should be rewritten more narrowly for the purpose of ensuring that the public cannot access case records held by district courts related to convictions that have been subsequently set aside, and not in a manner that encompasses all district court case records. The motion was approved.

Legislation

HB 4421 (Young) Civil procedure: other; certain public video recordings of court proceedings; allow the victims' faces to be blurred. Amends secs. 8, 38 & 68 of 1985 PA 87 (MCL 780.758 et seq.).

A motion was offered that this is *Keller* permissible. The motion to support was seconded and approved.

A motion was offered and supported to support HB 4421 with amendments to provide that a victim's image must be blurred, and that blurring does not apply to contemporaneous streaming. The motion passed.

SB 0248 (Lauwers) Courts: other; age requirement for the use of a courtroom support dog; modify. Amends sec. 2163a of 1961 PA 236 (MCL 600.2163a).

A motion was offered that this is *Keller* permissible. The motion to support was seconded and approved.

A motion was offered and supported to support SB 0248.

Position adopted after non-unanimous vote.

Commissioners voting in support of the position: Anderson, Bennett, Bryant, Burrell, Christenson, Clement, Cripps, Gant, Hamameh, Heath, Howlett, Larsen, Low, Mantese, Mason, Murray, Newman, Quick, Reiser, Simmons, Simpson, Walton, Washington.

Commissioners voting in opposition of the position: Bilowus, Easterly, McGill, Ohanesian, Potts.

SB 0257 (Runestad) Civil procedure: other; video recordings of court proceedings; provide for availability and review. Amends 1961 PA 236 (MCL 600.101 - 600.9947) by adding sec. 1429.

A motion was offered that this is *Keller* permissible. The motion to support was seconded and approved by roll call vote, 24 to 5. The motion passed.

Commissioners voting in support: Anderson, Bennett, Bryant, Burrell, Christenson, Clement, Cripps-Serra, Gant, Hamameh, Heath, Howlett, Larsen, Low, Mantese, Mason, Murray, Newman, Perkins, Quick, Riser, Simmons, Simpson, Walton, Washington.

Commissioners voting in opposition: Potts, McGill, Ohanesian, Bilowus, Easterly.

A motion was offered and supported to support SB 0257 with the following amendments:

1. Some courts have audio recordings but not video. Therefore, to be comprehensive, instead of referring to “video recordings,” the bill should refer to recordings in general throughout.
2. Historically, juvenile court proceedings have not been subject to the common-law or First Amendment right of public access, and there are privacy concerns with allowing recordings of juvenile court proceedings to be public even if the courtroom happened to be open for the proceeding itself. Under MCL 712a.28, juvenile case records are not open to the general public. To align this restriction with SB 257, subsection (1) of SB 257 should be amended as follows: “If a court makes a video recording of a public court proceeding in a case in which records are open to the general public, the court shall make the recording available for public access as required by this section.”
3. In subsection (3), the 60-day limit should be eliminated. As long as the video remains in the court’s custody and control, it should be presumptively available to the public. There are many situations in which the public’s interest in a recording would not surface within 60 days of the proceeding.
4. In subsection (4), the form of public access should not deny the ability of the public to obtain an actual copy of the recording. If they are allowed to view it but not actually have a copy that they can show others, that restriction would violate the First Amendment. See *Soderberg v Carrion*, 999 F3d 962, 964 (CA 4, 2021).
5. The bill should permit the blurring of both crime victims’ and children's faces in a videorecording.

The motion failed by roll call vote, 16 to 14, with 3 commissioners not voting.

Commissioners voting in opposition: Bryant, Clement, Hamameh, Gant, Howlett, Low, Mantese, McGill, Murray, Perkins, Potts, Riser, Simmons, Simpson, Walton, Washington.

Commissioners voting in support: Anderson, Bennett, Bilowus, Burrell, Christenson, Cripps, Detzler, Easterly, Heath, Larsen, Mason, Newman, Ohanesian, Quick.

A motion was offered and supported to oppose SB 257. The Board strongly supports courtroom transparency but believes that this issue is properly addressed by the Court, not the Legislature. SBM stands ready to partner with the Court to develop an appropriate, uniform rule governing access to court recordings.

Resentencing Upon Petition

SB 0321 (Chang) Criminal procedure: sentencing; resentencing upon petition of certain prisoners; provide process for. Amends secs. 12 & 25, ch. IX of 1927 PA 175 (MCL 769.12 & 769.25) & adds secs. 27a, 27b, 27c, 27d, 27e, 27f, 27g & 27h to ch. IX.

HB 4556 (Hope) Criminal procedure: sentencing; resentencing upon petition of certain prisoners; provide process for. Amends secs. 12 & 25, ch. IX of 1927 PA 175 (MCL 769.12 & 769.25) & adds secs. 27a, 27b, 27c, 27d, 27e, 27f, 27g & 27h to ch. IX.

SB 0322 (Wojno) Corrections: prisoners; corrections code of 1953; amend to reflect requirement for department of corrections to provide certain notification to prisoners. Amends secs. 33e & 34 of 1953 PA 232 (MCL 791.233e & 791.234) & adds sec. 34e.

HB 4557 (Neeley) Corrections: prisoners; corrections code of 1953; amend to reflect requirement for department of corrections to provide certain notification to prisoners. Amends secs. 33e & 34 of 1953 PA 232 (MCL 791.233e & 791.234) & adds sec. 34e.

SB 0323 (Polehanki) Crime victims: notices; crime victim's rights act; amend to reference rights of crime victims in certain prisoner resentencing. Amends secs. 13 & 41 of 1985 PA 87 (MCL 780.763 & 780.791).

HB 4558 (Wilson) Crime victims: notices; crime victim's rights act; amend to reference rights of crime victims in certain prisoner resentencing. Amends secs. 13 & 41 of 1985 PA 87 (MCL 780.763 & 780.791).

SB 0324 (Bayer) Criminal procedure: sentencing; penalties for certain crimes of imprisonment for life without parole eligibility; amend public health code to reflect potential resentencing. Amends sec. 17764 of 1978 PA 368 (MCL 333.17764).

HB 4559 (McKinney) Criminal procedure: sentencing; penalties for certain crimes of imprisonment for life without parole eligibility; amend public health code to reflect potential resentencing. Amends sec. 17764 of 1978 PA 368 (MCL 333.17764).

SB 0325 (Irwin) Crimes: penalties; penalties for certain crimes of imprisonment for life without parole eligibility; amend Michigan penal code to reflect potential resentencing. Amends secs. 16, 18, 200i, 204, 207, 209, 210, 211a, 227b, 316, 436, 520b & 543f of 1931 PA 328 (MCL 750.16 et seq.).

HB 4560 (Aiyash) Crimes: penalties; penalties for certain crimes of imprisonment for life without parole eligibility; amend Michigan penal code to reflect potential resentencing. Amends secs. 16, 18, 200i, 204, 207, 209, 210, 211a, 227b, 316, 436, 520b & 543f of 1931 PA 328 (MCL 750.16 et seq.).

A motion was offered that this is *Keller* permissible. The motion to support was seconded and approved.

No action was taken but it was determined that a work group should be formed to discuss this before the July meeting.

Audit: Erika Bryant, Chairperson

Ms. Bryant indicated that there is no report.

Finance: Erika L. Bryant, Chairperson

Financial Reports

Ms. Bryant provided the Board with the FY 2023 financial reports.

Ms. Bryant reported that the Finance Committee will meet with State Bar staff on June 28 to discuss their individual budgets and the meeting will be held in a hybrid format. Ms. Bryant invited all commissioners to attend the meeting either virtually or in person. She said that a survey from Ms. Goodkin was sent to gauge board attendance.

Budget Assumptions

Ms. Bryant asked Mr. Cunningham to review the FY 2024 preliminary budget assumptions with the Board. Mr. Cunningham reviewed the major budget assumptions affecting the FY 2024 budget and responded to questions.

Professional Standards: Lisa J. Hamameh, Chairperson

Ms. Hamameh stated that there is no report.

Communications and Member Services (CAMS): Joseph P. McGill, Chairperson

Liberty Bell Award

Mr. McGill shared that as approved in the consent agenda, this year's Liberty Bell Award will be given to Ms. Amy Iseler.

FOR THE GOOD OF THE PUBLIC AND THE PROFESSION

Comments or questions from Commissioners

Ms. Cripps-Serra stated that the YLS is sponsoring 30 law students at the Summit and asked if any Commissioners knew of a law student who would like to use one sponsorship to let her know.

Ms. Cripps Serra informed the Board that the YLS is looking into studying the bar passage rate but will likely wait until after the July bar exam results are posted before commenting.

Comments or questions from the public

There were none.

Adjournment

The meeting was adjourned at 10:50 a.m.

**President James W. Heath
President's Activities
June 11 through July 21, 2023**

Date	Event	Location
June 15	Detroit Bar Association Annual Meeting	Detroit
June 16	Meeting with Executive Director Peter Cunningham and Robin Egleston from State Bar of Michigan	Phone Call
June 20	Black Women's Legal Association and the Association of Black Judges "Meet the Judges Night"	Detroit
June 21	Calls with the 2023 Board of Commissioner Election Candidates in District H and I	Phone call
June 22	President's Dinner for the Wolverine Bar Association	Detroit
June 24	Young Lawyers Summit	Detroit
June 28	Budget Meetings with the SBM Finance Committee and SBM Strategic Management Team members	Virtual
June 28	Ingham County Bar Foundation Judges Retirement Banquet	Lansing
July 21	Board of Commissioners meeting	Lansing

Executive Director Peter Cunningham
Executive Director Activities
June 11 through July 21, 2023

Date	Event
June 12	RA Ad Hoc Committee on Proposals meeting
June 12	Justice for All (JFA) Commission meeting
June 13	Strategic Planning Committee meeting
June 14	Institute of Continuing Legal Education Executive Committee meeting
June 15	Meeting with President-Elect Daniel Quick
June 15	JFA Communications Committee meeting
June 16	Meeting on ATJ Fund with Jennifer Bentley, Executive Director, Michigan Bar Foundation and Gerrow Mason, RA Chair
June 16	Meeting with President James Heath
June 23	DEI Commission Workgroup meeting
June 27	Meeting on Road to Restoration Pro Bono Clinics
June 28	Board of Commissioners (BOC) Finance Committee Budget Review meetings
June 29	Well-Being in the Law Task Force meeting
July 5	Meeting on ATJ Fund with Jennifer Bentley, Executive Director, Michigan Bar Foundation and RA Chair Gerrow Mason
July 6	Diversity, Equity & Inclusion (DEI) Executive Team meeting
July 10	JFA Resource Committee
July 11	JFA Executive Committee meeting
July 12	Meeting with President James Heath
July 14	DEI Commission meeting
July 14	Meeting with SBM officers to discuss visit to a tribal court
July 18	Strategic Planning Committee meeting
July 19	BOC Professional Standards Committee meeting
July 20	BOC Public Policy Committee meeting
July 20	JFA Communications Committee meeting
July 20	JFA Co-Chairs meeting
July 21	Board of Commissioners meeting

State Bar of Michigan Financial Results Summary

For the Eight Months Ended May 31, 2023
Fiscal Year 2023

Administrative Fund - Summary of Results as of May 31, 2023

Operating Revenue	\$8,686,457
Operating Expense	<u>(\$7,135,507)</u>
Operating Income (Loss)	\$1,550,950
Non-Operating Income (Loss)	<u>\$811,401</u>
Change in Net Position	\$2,362,351
Net Position, October 1, 2022	<u>\$9,813,122</u>
Net Position, May 31, 2023	<u>\$12,175,473</u>

As of May 31, 2023, Net Position excluding Retiree Healthcare Trust was \$9,373,902, an increase of \$1,934,849 since the beginning of the year and favorable to budget by \$807,641.

YTD Operating Revenue variance - \$8,546, favorable to budget (0.1%):

Operating revenue was higher primarily due to higher LRS and C&F revenues offset by lower license fee and related revenue and credit card processing fee recovery revenues.

YTD Operating Expense variance - \$547,717, favorable to budget (7.1%):

Salaries and Employee Benefits/ Payroll Taxes – \$162,688, favorable (3.1%)

- Under budget due to lower salary expenses (\$98,670), and lower payroll taxes and benefits (\$64,018).

Non-Labor Operating Expenses - \$385,029, favorable (15.5%)

- Legal - \$43,716, favorable (35.9%) – Under budget primarily in C&F and General Counsel.
- Public and Bar Services - \$101,378, favorable (17%) – Under budget primarily in Outreach and IT due to timing of expenses.

- Operations and Policy - \$239,935, favorable (13.6%) – Under budget with the largest variance in Finance due to lower credit card processing fees and depreciation, EO, Facilities, Digital, Print and Design, and RA expenses, some due to timing.

YTD Non-Operating Revenue Budget Variance - \$672,628 favorable to budget 527%:

- Interest income is favorable to budget by \$251,378 (194.4%).
- Retiree Health Care Trust net investment gain of \$430,687 (this amount is *not* budgeted).

Cash and Investment Balance

As of May 31, 2023, the cash and investment balance in the State Bar Admin Fund (net of “*due to Sections, Client Protection Fund, and Retiree Health Care Trust*”) was \$10,414,651, an increase of \$3,090,078 from the beginning of the year primarily due to collection of license fees.

SBM Retiree Health Care Trust

As of May 31, 2023, the SBM Retiree Health Care Trust investments were \$3,968,828, an increase of \$427,501 since the beginning of the year. The change is due to investment gains of \$440,061, net of advisor fees of \$12,560.

Capital Budget

Year-to-date capital expenditures totaled \$271,732, or 47.8% of the FY 2023 capital expenditures budget of \$568,100.

Client Protection Fund

The Net Position of the Client Protection Fund as of May 31, 2023 totaled \$2,332,211, an increase of \$210,420 from the beginning of the year. Claims expenses totaled \$209,751, including \$120,013 of authorized but not paid claims awaiting signed subrogation agreements.

SBM Membership

As of May 31, 2023, the active, inactive, and emeritus membership in good standing totaled 46,704 attorneys, a net decrease of 69 attorneys since the beginning of the year; the number of paying attorneys decreased by 597. A total of 586 new attorneys have joined SBM since the beginning of the year.

FY 2023 Forecast

Excluding income of the SBM retiree healthcare trust, which is not budgeted or forecasted, SBM projects FY 2023 net increase in net position of \$ 1,687,991, with a favorable year-end budget variance of \$ 574,316; most of the variance is driven by higher interest income.

- **License fees and related revenues** are expected to be lower than budget by \$95,87 due to a decrease in paying members, offset by higher late fees.
- **Other operating revenues** are expected to be lower than budget by \$40,223 primarily due to lower revenue in Administration for credit card processing fees, offset by higher revenue in C&F and LRS.
- **Salaries and benefits** are expected to be lower than budget by \$102,027 due to lower benefits costs.
- **Non-labor Operating expenses** are expected to be lower than budget by \$277,382 due to lower credit card processing fees, depreciation expense, and lower travel, meeting and program expenses (C&F, IAP, UPL, LRS, IT, RA, and EO/BOC).
- **Interest income** is projected to be higher than budget by \$331,000 due to higher interest rates.

Capital expenditures for FY 2023 are expected to lower than budget by \$106,022 (\$462,078 compared to the approved budget of \$568,100).

**STATE BAR OF MICHIGAN
ADMINISTRATIVE FUND**

Unaudited and For Internal Use Only

**FINANCIAL REPORTS
May 31, 2023**

FY 2023

Note: License fee revenue is recognized and budgeted as earned each month throughout the year.

State Bar of Michigan
Statement of Net Position
Administrative Fund
For the Eight Months Ending May 31, 2023

	4/30/2023	5/31/2023	Increase (Decrease)	%	Beginning of FY 2023 10/1/22
ASSETS AND DEFERRED OUTFLOWS					
Cash	\$472,542	\$1,012,716	\$540,175	114.3%	\$2,451,119
Investments	14,180,261	12,966,359	(1,213,902)	(8.6%)	7,953,650
Accounts Receivable	50,896	30,812	(20,084)	(39.5%)	54,731
Due from (to) CPF	(263)	(124)	139	(52.9%)	(4,068)
Due to Sections	(3,673,804)	(3,564,300)	109,504	(3.0%)	(3,076,129)
Prepaid Expenses	298,525	311,994	13,469	4.5%	396,913
Lease Receivable	35,627	34,767	(860)	(2.4%)	41,636
Capital Assets	3,133,092	3,186,767	53,675	1.7%	3,193,128
SBM Retiree Health Care Trust	4,006,334	3,968,828	(37,505)	(0.9%)	3,541,327
Total Assets	\$18,503,210	\$17,947,819	(\$555,390)	(3.0%)	\$14,552,308
Deferred outflows of resources related to pensions	38,227	38,227		0.0%	38,227
Deferred outflows of resources related to OPEB	616,028	616,028		0.0%	616,028
Total Deferred outflows of resources	654,255	654,255		0.0%	654,255
Total Assets and Deferred Outflows of Resources	19,157,465	18,602,074	(555,390)	(2.9%)	15,206,563
LIABILITIES, DERERRED INFLOWS AND NET POSITION					
Liabilities					
Accounts Payable	\$506	\$98,698	\$98,192	19400.9%	\$336,346
Accrued Expenses	675,849	673,486	(2,363)	(0.3%)	633,546
Deferred Revenue	4,358,718	3,499,687	(859,030)	(19.7%)	2,263,179
Net Pension Liability	232,483	232,483		0.0%	232,483
Net OPEB Liability	872,429	872,429		0.0%	872,429
Total Liabilities	6,139,985	5,376,783	(763,202)	(12.4%)	4,337,983
Deferred Inflows Leases	36,596	35,891	(705)	(1.9%)	41,530
Deferred Inflows of resources related to pensions	103,071	103,071		0.0%	103,071
Deferred Inflows of resources related to OPEB	910,857	910,857		0.0%	910,857
Total Deferred inflows of resources	1,050,524	1,049,819	(705)	(0.1%)	1,055,458

State Bar of Michigan
Statement of Net Position
Administrative Fund
For the Eight Months Ending May 31, 2023

	4/30/2023	5/31/2023	Increase (Decrease)	%	Beginning of FY 2023 10/1/22
Total Liabilities and Deferred Inflows	7,190,509	6,426,602	(763,907)	(10.6%)	5,393,441
Net Assets					
Invested in Capital Assets, Net of Related Debt	3,133,092	3,186,767	53,675	1.7%	3,193,128
Restricted for Retiree Health Care Trust	2,839,075	2,801,570	(37,505)	(1.3%)	2,374,069
Unrestricted	5,994,789	6,187,135	192,348	3.2%	4,245,924
Total Net Position	11,966,956	12,175,472	208,517	1.7%	9,813,122
Total Liabilities, Deferred Inflows and Net Position	\$19,157,465	\$18,602,074	(\$555,390)	(2.9%)	\$15,206,563
Net Position <u>excluding</u> the impacts of retiree health care	\$9,127,881	\$9,373,902	\$246,022	1.3%	\$7,439,053

Note: Cash and investments actually available to the State Bar Administrative Fund, after deduction of the "Due to Sections" and "Due to CPF" and not including the "Retiree Health Care Trust" is \$10,414,651 (see below)

CASH AND INVESTMENT BALANCES

Cash (including CD's and Money Market)	\$472,542	\$1,012,716	\$540,175	114.3%	\$2,451,119
Investments	14,180,261	12,966,359	(1,213,902)	(8.6%)	7,953,650
Total Available Cash and Investments	14,652,803	13,979,075	(673,727)	(4.6%)	10,404,769
Less:					
Due to Sections	3,673,804	3,564,300	(109,504)	(3.0%)	3,076,129
Due to CPF	263	124	(139)	(52.9%)	4,068
Due to Sections and CPF	3,674,067	3,564,424	(109,643)	(3.0%)	3,080,196
Net Administrative Fund Cash and Investment Balance	10,978,736	10,414,651	(564,084)	(5.1%)	7,324,573

State Bar of Michigan
Statement of Revenue, Expense, and Net Assets
Administrative Fund
For the Eight Months Ending May 31, 2023

	Actual YTD	Budget YTD	Variance	Percentage	Prior Year YTD	Variance	Percentage
Revenue							
Legal							
Ethics	\$2,275	\$3,900	(\$1,625)	(41.67%)	\$1,625	\$650	40.00%
Character & Fitness	338,735	283,507	55,228	19.48%	257,850	80,885	31.37%
Legal Total	341,010	287,407	53,603	18.65%	259,475	81,535	31.42%
Public and Bar Services							
Lawyer Services	146,601	141,270	5,331	3.77%	148,868	(2,267)	(1.52%)
Bar Leadership Forum	34,530	12,000	22,530	187.75%	12,341	22,189	179.80%
Upper Michigan Legal Institute	-	20,000	(20,000)	(100.00%)	19,496	(19,496)	(100.00%)
50 Year Honoree Celebration	5,960	3,350	2,610	77.91%	-	5,960	0.00%
Practice Management Resource Center	2,505	2,000	505	25.25%	-	2,505	0.00%
Lawyer Referral Service	132,184	100,003	32,181	32.18%	142,321	(10,137)	(7.12%)
LJAP	36,217	37,414	(1,197)	(3.20%)	33,437	2,780	8.31%
Public and Bar Services Total	357,997	316,037	41,960	13.28%	356,463	1,534	0.43%
Operations and Policy							
License Fees	7,323,301	7,353,706	(30,405)	(0.41%)	5,203,414	2,119,887	40.74%
Other Revenue	429,376	506,539	(77,163)	(15.23%)	246,526	182,850	74.17%
Bar Journal Directory	213	-	213	0.00%	-	213	0.00%
Bar Journal	141,329	132,603	8,726	6.58%	134,458	6,871	5.11%
Print and Design	31,450	27,320	4,130	15.12%	33,719	(2,269)	(6.73%)
e-Journal	25,450	22,630	2,820	12.46%	24,090	1,360	5.65%
Digital	36,331	31,669	4,662	14.72%	37,030	(699)	(1.89%)
Operations and Policy Total	7,987,450	8,074,467	(87,017)	(1.08%)	5,679,237	2,308,213	40.64%
Non-Operating Revenue							
Investment Income - SBM Operations	380,714	129,336	251,378	194.36%	32,009	348,705	1,089.40%
Investment Income - Ret HC Trust	430,687	-	430,687	0.00%	(725,868)	1,156,555	(159.33%)
Total Non-Operating Revenue	811,401	129,336	682,065	527.36%	(693,859)	1,505,260	(216.94%)
Total Revenue	9,497,858	8,807,247	690,611	7.84%	5,601,316	3,896,542	69.56%

State Bar of Michigan
Statement of Revenue, Expense and Net Assets
Administrative Fund
For the Eight Months Ending May 31, 2023

	Actual YTD	Budget YTD	Variance	Percentage	Prior Year YTD	Variance	Percentage
Expense							
Legal							
Ethics	\$2,329	\$4,685	(\$2,356)	(50.29%)	\$1,818	\$511	28.11%
Client Protection Fund Dept	7,018	4,047	2,971	73.41%	10,237	(3,219)	(31.44%)
Interim Administrator Program	704	515	189	36.70%	-	704	0.00%
Character & Fitness	20,906	38,087	(17,181)	(45.11%)	19,258	1,648	8.56%
UPL	3,936	8,146	(4,210)	(51.68%)	2,481	1,455	58.65%
General Counsel	7,508	27,105	(19,597)	(72.30%)	44,093	(36,585)	(82.97%)
Human Resources	1,345,000	1,412,550	(67,550)	(4.78%)	1,266,138	78,862	6.23%
Salaries	878,175	882,657	(4,482)	(0.51%)	764,945	113,230	14.80%
Legal Total	2,265,576	2,377,792	(112,216)	(4.72%)	2,108,970	156,606	7.43%
Public and Bar Services							
Inaugural and Awards Luncheon (Formerly Annual Meeting)	9,977	10,000	(23)	(0.23%)	-	9,977	0.00%
Lawyer Services	20,562	21,703	(1,141)	(5.26%)	19,081	1,481	7.76%
Bar Leadership Forum	13	13	-	0.00%	-	13	0.00%
UMLI	-	-	-	0.00%	2	(2)	(100.00%)
50 Yr. Golden Celebration	12,280	10,995	1,285	11.69%	-	12,280	0.00%
Practice Management Resource Center	4,859	7,741	(2,882)	(37.23%)	3,787	1,072	28.31%
Lawyer Referral Service	3,954	7,083	(3,129)	(44.18%)	1,361	2,593	190.52%
Outreach	60,717	75,356	(14,639)	(19.43%)	35,169	25,548	72.64%
Diversity	21,926	23,390	(1,464)	(6.26%)	8,381	13,545	161.62%
LJAP	8,337	13,214	(4,877)	(36.91%)	4,028	4,309	106.98%
Technical Services	351,967	426,475	(74,508)	(17.47%)	345,402	6,565	1.90%
Salaries	1,361,537	1,375,852	(14,315)	(1.04%)	1,283,598	77,939	6.07%
Total Public and Bar Services	1,856,129	1,971,822	(115,693)	(5.87%)	1,700,809	155,320	9.13%
Operations and Policy							
Administration	86,388	87,647	(1,259)	(1.44%)	82,905	3,483	4.20%
Financial Services	616,865	715,539	(98,674)	(13.79%)	610,998	5,867	0.96%
Bar Journal	215,910	224,847	(8,937)	(3.97%)	227,172	(11,262)	(4.96%)
Print and Design	28,429	40,514	(12,085)	(29.83%)	29,483	(1,054)	(3.57%)
Digital	81,461	94,664	(13,203)	(13.95%)	84,441	(2,980)	(3.53%)
e-Journal	9,263	11,245	(1,982)	(17.63%)	8,825	438	4.96%
General Communications	3,684	10,333	(6,649)	(64.35%)	3,832	(148)	(3.86%)
Executive Office	10,565	39,505	(28,940)	(73.26%)	17,888	(7,323)	(40.94%)
Board of Commissioners	35,409	44,940	(9,531)	(21.21%)	13,355	22,054	165.14%
Representative Assembly	3,798	24,600	(20,802)	(84.56%)	12,401	(8,603)	(69.37%)
Governmental Relations	44,283	46,610	(2,327)	(4.99%)	37,950	6,333	16.69%
Research and Development	7,125	12,450	(5,325)	(42.77%)	946	6,179	653.17%

State Bar of Michigan
Statement of Revenue, Expense and Net Assets
Administrative Fund
For the Eight Months Ending May 31, 2023

	Actual YTD	Budget YTD	Variance	Percentage	Prior Year YTD	Variance	Percentage
Expense							
Facilities Services	258,947	287,283	(28,336)	(9.86%)	209,470	49,477	23.62%
Justice Initiatives	128,518	130,403	(1,885)	(1.45%)	128,156	362	0.28%
Salaries	1,483,157	1,563,030	(79,873)	(5.11%)	1,448,501	34,656	2.39%
Operations and Policy Total	3,013,802	3,333,610	(319,808)	(9.59%)	2,916,323	97,479	3.34%
Total Expense	7,135,507	7,683,224	(547,717)	(7.13%)	6,726,102	409,405	6.09%
Revenue	9,497,856	8,807,246	690,610	7.84%	5,601,315	3,896,541	69.56%
Increase (Decrease) in Net Assets	\$2,362,349	\$1,124,022	\$1,238,327	110.17%	(\$1,124,787)	\$3,487,136	(310.03%)
Human Resources Detail							
Payroll Taxes	277,125	294,848	(17,723)	(6.01%)	256,599	20,526	8.00%
Benefits	1,032,304	1,078,599	(46,295)	(4.29%)	978,470	53,834	5.50%
Other Expenses	35,571	39,103	(3,532)	(9.03%)	31,070	4,501	14.49%
Total Human Resources	1,345,000	1,412,550	(67,550)	(4.78%)	1,266,139	78,861	6.23%
Financial Services Detail							
Depreciation	278,094	308,000	(29,906)	(9.71%)	286,077	(7,983)	(2.79%)
Other Expenses	338,771	407,539	(68,768)	(16.87%)	324,921	13,850	4.26%
Total Financial Services	616,865	715,539	(98,674)	(13.79%)	610,998	5,867	0.96%
Salaries							
Legal	878,175	882,657	(4,482)	(0.51%)	764,945	113,230	14.80%
Public and Bar Services	1,361,537	1,375,852	(14,315)	(1.04%)	1,283,598	77,939	6.07%
Operations and Policy	1,483,157	1,563,030	(79,873)	(5.11%)	1,448,501	34,656	2.39%
Total Salaries Expense	3,722,869	3,821,539	(98,670)	(2.58%)	3,497,044	225,825	6.46%
Non-Labor Expense Summary							
Legal	77,972	121,688	(43,716)	(35.92%)	108,956	(30,984)	(28.44%)
Public and Bar Services	494,592	595,970	(101,378)	(17.01%)	417,211	77,381	18.55%
Operations and Policy	1,530,645	1,770,580	(239,935)	(13.55%)	1,467,822	62,823	4.28%
Total Non-Labor Expense	2,103,209	2,488,238	(385,029)	(15.47%)	1,993,989	109,220	5.48%

State Bar of Michigan
Statement of Revenue, Expense and Net Assets
For the Eight Months Ending May 31, 2023

YTD FY 2023 Increase (Decrease) in Net Position Summary

	Actual YTD	Budget YTD	Variance	Percentage	Prior Year Actual YTD	Variance	Percentage
Operating Revenue							
- License Fees, Dues & Related	7,323,301	7,353,706	(30,405)	(0.4%)	5,203,414	2,119,887	40.7%
- All Other Op Revenue	1,363,156	1,324,205	38,951	2.9%	1,091,761	271,395	24.9%
Total Operating Revenue	8,686,457	8,677,911	8,546	0.1%	6,295,175	2,391,282	38.0%
Operating Expenses							
- Labor-related Operating Expenses							
Salaries	3,722,869	3,821,539	(98,670)	(2.6%)	3,497,044	225,825	6.5%
Benefits and PR Taxes	1,309,429	1,373,447	(64,018)	(4.7%)	1,235,069	74,360	6.0%
Total Labor-related Operating Expenses	5,032,298	5,194,986	(162,688)	(3.1%)	4,732,113	300,185	6.3%
- Non-labor Operating Expenses							
Legal	77,972	121,688	(43,716)	(35.9%)	108,956	(30,984)	(28.4%)
Public and Bar Services	494,592	595,970	(101,378)	(17.0%)	417,211	77,381	18.5%
Operations and Policy	1,530,645	1,770,580	(239,935)	(13.6%)	1,467,822	62,823	4.3%
Total Non-labor Operating Expenses	2,103,209	2,488,238	(385,029)	(15.5%)	1,993,989	109,220	5.5%
Total Operating Expenses	7,135,507	7,683,224	(547,717)	(7.1%)	6,726,102	409,405	6.1%
Operating Income (Loss)	1,550,950	994,687	556,263	55.9%	(430,927)	1,981,877	(459.9%)
Non-operating Revenue (Expenses)							
Investment Income	380,714	129,336	251,378	194.4%	32,009	22,406	70.0%
Investment Income - Ret HC Trust	430,687	-	430,687	-	(725,868)	(379,545)	N/A
Loss on Disposal of Capital Asset	-	-	-	-	-	-	N/A
Net Non-operating Revenue (Expenses)	811,401	129,336	682,065	527%	(693,859)	1,505,260	(217%)
Increase (Decrease) in Net Position	2,362,351	1,124,023	1,238,328	N/A	(1,124,786)	3,487,137	N/A
Net Position - Beginning the Year	9,813,122	9,813,122	-	0.0%	11,773,220	(1,960,098)	(16.6%)
Net Position - Year-to-Date	12,175,473	10,937,145	1,238,328	11.3%	10,648,434	1,527,039	14.3%
Increase (Decrease) in Net Position Excluding Ret HC Trust Investment Income (Loss)	1,931,664	1,124,023	807,641	71.9%	(398,918)	2,330,582	(584.2%)

State Bar of Michigan Administrative Fund
Revenues, Expenses and Net Assets
FY 2023 - Year-End Forecast
Updated June 21, 2023

	FY 2023 Year-End Forecast	FY 2023 Budget	Variance	Percentage	FY 2022 Actual
Operating Revenue					
- License Fees, Dues & Related	10,833,630	10,929,500	(95,870)	(0.88%)	7,675,680
- All Other Op Revenue	1,707,212	1,747,435	(40,223)	(2.30%)	1,517,858
Total Operating Revenue	<u>12,540,842</u>	<u>12,676,935</u>	<u>(136,093)</u>	<u>(1.07%)</u>	<u>9,193,538</u>
Operating Expenses					
- Labor-related Operating Expenses					
Salaries	5,894,701	5,894,701	-	0.00%	5,418,000
Benefits, PR Taxes, and Ret HC Exp	1,910,587	2,012,614	(102,027)	(5.07%)	1,540,619
Total Labor-related Operating Expenses	<u>7,805,288</u>	<u>7,907,315</u>	<u>(102,027)</u>	<u>(1.29%)</u>	<u>6,958,619</u>
- Non-labor Operating Expenses					
Legal	204,570	234,090	(29,520)	(2.75%)	163,360
Public and Bar Services	1,013,579	1,073,875	(60,296)	(25.76%)	778,839
Operations and Policy	2,354,414	2,541,980	(187,566)	(7.38%)	2,098,738
Total Non-labor Operating Expenses	<u>3,572,563</u>	<u>3,849,945</u>	<u>(277,382)</u>	<u>(7.20%)</u>	<u>3,040,937</u>
Total Operating Expenses	<u>11,377,851</u>	<u>11,757,260</u>	<u>(379,409)</u>	<u>(3.23%)</u>	<u>9,999,556</u>
Operating Income (Loss)	1,162,991	919,675	243,316	N/A	(806,018)
Non-operating Revenue (Expenses)					
Investment Income	525,000	194,000	331,000	170.62%	62,582
Investment Income - Ret HC Trust*	-	-	-	N/A	(1,216,661)
Loss on Disposal of Capital Assets	-	-	-	N/A	-
Net Non-operating Revenue (Expenses)	<u>525,000</u>	<u>194,000</u>	<u>331,000</u>	<u>170.62%</u>	<u>(1,154,079)</u>
Increase (Decrease) in Net Position	<u>1,687,991</u>	<u>1,113,675</u>	<u>574,316</u>	<u>51.57%</u>	<u>(1,960,097)</u>

Operating Revenue Forecast:

- License fees and related - Expected to be under budget for license fees and related revenues due to decrease in paying members.
- All other operating revenue - Expected to be lower than budget primarily due to lower credit card revenues for Administration (\$91k), offset by higher C&F (\$50k) and LRS revenues(\$5k).

Labor Forecast:

- Salaries - Expected to be at the budget.
- Benefits & PR Taxes - Expected to be lower than budget due to lower benefits expenses.

Non-labor Forecast:

Legal

- Expected to be under budget primarily due to savings in C&F (\$10k), IAP (\$11k), and UPL (\$4k).

Public and Bar Services

- Expected to be under budget primarily in IT (\$46K), LJAP (\$4k), LRS (\$5k), and Annual Meeting (\$13.6k), offset by higher 50 Year event (\$5k) and BLF expenses (\$4k).

Operations and Policy

- Executive Offices & BOC - Expected to be under budget primarily due to lower expected travel expenses and contingency spending (\$25k).

- Finance & Administration - Expected to be under budget primarily due to lower credit card processing fees (\$73k) and depreciation expense (\$74k).

- Expected to be under budget in RA primarily due to lower meeting and travel expenses (\$23k).

- Expected to be over budget in Facilities (\$5k) and Bar Journal (\$17.5k), offset by savings in Print and Design and Digital (\$17k).

Non-Operating Income forecast:

- Investment Income - Expected to be higher than budget due to higher interest rates.

- Retiree Health Care Trust Investment Income was not budgeted nor forecasted.

State Bar of Michigan
Administrative Fund
FY 2023 Capital Expenditures vs Budget
For the Eight Months Ending May 31, 2023

	YTD Actual	YTD Budget	YTD Variance	Notes and Variance Explanations	FY 2023 Year-End Forecast	Total Approved FY 2023 Budget	Projected Year-end Variance
FACILITIES, FURNITURE & OFFICE EQUIPMENT							
Replacement of floor copiers/scanners	-	-	-	Completed in FY 2022	\$ -	\$ 27,000	\$ (27,000)
HVAC system controller upgrade	-	-	-		35,600	35,600	\$ -
Projector replacement for meeting rooms	-	-	-		15,000	20,000	\$ (5,000)
Wiring closet racks	12,098	10,000	2,098		12,098	10,000	\$ 2,098
New microfiche machine	-	-	-		8,000	8,000	\$ -
New security system camera and DVR replacement	-	-	-		-	10,000	\$ (10,000)
Print center color printer	47,785	47,785	-		47,785	46,700	\$ 1,085
Upgrade of the virtual meeting room equipment for BOC meetings	-	-	-		25,000	20,000	\$ 5,000
Sewer line replacement (added in January 2023)	65,420	120,000	(54,580)		65,420	120,000	\$ (54,580)
Total Facilities, Furniture & Office Equipment:	\$125,303	\$177,785	(\$52,482)		\$ 208,903	\$ 297,300	\$ (88,397)
INFORMATION TECHNOLOGY							
<u>IT Infrastructure:</u>							
Replacement of ethernet switches for rooms 2, 3, 4 and garden level	7,229	7,229	-		\$ 27,000	\$ 52,000	\$ (25,000)
Wiring upgrade for the data center	-	-	-		17,375	10,000	\$ 7,375
<u>Application Software Development:</u>							
Receivership /Interim Administrator Program data portal	46,400	46,400	-		46,400	40,600	\$ 5,800
E-commerce Store	11,600	8,700	-		11,600	11,600	\$ -
E-commerce Events	29,000	29,000	-		29,000	29,000	\$ -
API Development for NetSuite or Sage Intacct	23,200	17,400	-		23,200	11,600	\$ 11,600
E-commerce License Fee Updates	-	-	-		29,000	34,800	\$ (5,800)
e-Services Application to Court e-Filing (mi-File)	-	-	-		-	11,600	\$ (11,600)
Firm Administration and Billing	-	-	-		11,600	23,200	\$ (11,600)
Website Functionality Enhancements	11,600	11,600	-		11,600	11,600	\$ -
Character & Fitness Application Module (for BLE)	11,600	11,600	-		23,200	11,600	\$ 11,600
Volunteer Application (Accessibility updates)	-	-	-		5,800	5,800	\$ -
Consumer Portal (LRS)	5,800	2,900	-		17,400	17,400	\$ -
Total Information Technology:	\$ 146,429	\$ 134,829	\$ -		\$ 253,175	\$ 270,800	\$ (17,625)
Total Capital Budget:	\$ 271,732	\$ 312,614	\$ (52,482)		\$ 462,078	\$ 568,100	\$ (106,022)

**STATE BAR OF MICHIGAN
CLIENT PROTECTION FUND**

Unaudited and For Internal Use Only

**FINANCIAL REPORTS
May 31, 2023**

FY 2023

Note: License fee revenue is recognized and budgeted as earned each month throughout the year.

State Bar Of Michigan
Client Protection Fund
Comparative Statement of Net Assets
For the Eight Months Ending May 31, 2023

	4/30/2023	5/31/2023	Increase (Decrease)	%	Beginning of FY 2023 10/1/22
Assets					
Cash-Checking	\$22,303	\$53,292	\$30,989	138.9%	\$27,190
Savings	235,303	170,881	(64,422)	(27.4%)	183,275
Investments	2,427,902	2,436,310	8,408	0.3%	2,081,625
Account Receivable	-	-	-	0.0%	1,625
Due From SBM	263	124	(139)	(52.9%)	4,068
Total Assets	\$2,685,771	\$2,660,607	(\$25,164)	(0.9%)	\$2,297,783
Liabilities					
Accounts Payable	\$143,013	\$120,013	(\$23,000)	(16.1%)	\$56,531
Deferred Revenue	260,896	208,383	(52,514)	(20.1%)	119,460
Total Liabilities	403,909	328,396	(75,514)	(18.7%)	175,991
Fund Balance					
Fund Balance at Beginning of Year	2,121,791	2,121,791	-	0.0%	1,834,119
Net Income (Expense) Year to Date	160,070	210,420	50,349	31.5%	287,672
Total Fund Balance	2,281,861	2,332,211	50,349	2.2%	2,121,791
Total Liabilities and Fund Balance	\$2,685,770	\$2,660,607	(\$25,164)	(0.9%)	\$2,297,782

In addition there are \$120,013 authorized but unpaid claims awaiting signatures of subrogation.

Client Protection Fund
Statement of Revenue, Expenses, and Changes in Net Assets □
For the Eight Months Ending May 31, 2023

	2023 YTD	2022 YTD
Income:		
3-7-00-000-0005 Contributions Received	20,341	1,916
3-7-00-000-0050 License Fees Assessment	431,000	426,896
3-7-00-000-0051 Pro Hac Vice Fees	7,785	7,470
3-7-00-000-0890 Claims Recovery	16,572	26,659
Total Income	475,698	462,941
Expenses:		
3-9-00-000-0200 Claims Payment	209,751	181,575
3-9-00-000-0910 Administrative Fee	120,000	115,000
3-9-00-000-0994 Bank Service Charges	280	280
Total Expenses	330,031	296,855
3-7-00-000-0921 Gain or Loss on Investment	61,078	755
3-7-00-000-0920 Interest and Dividends	3,675	1,418
	64,753	2,173
Increase/Decrease in Net Position	210,420	168,259
Net Position, Beginning of Year	2,121,791	1,834,119
Net Position, End of Period	2,332,211	2,002,378

Summary of Cash and Investment Balances by Financial Institution

5/31/2023

Assets	Bank Rating	Financial Institution Summary	Interest Rates	Fund Summary
		SBM Chase Checking \$ 623,712.83		Client Protection Fund \$ 2,660,944
		SBM Chase Credit Card \$ 7,271.04		State Bar Admin Fund \$ 13,979,076
		SBM Chase E Checking \$ 2,021.50		(including Sections)
		SBM Chase Payroll \$ 106,141.26		Attorney Discipline System \$ 5,261,265
		SBM Chase Savings \$ 512.74	0.05%	SBM Retiree Health Care Trust \$ 3,968,828
		ADS Chase Checking \$ 59,980.96		ADB Retiree Health Care Trust \$ 1,305,514
		ADS Chase Petty Cash \$ 2,823.58		AGC Retiree Health Care Trust \$ 4,016,787
		CPF Chase Checking \$ 53,291.65		
		CPF Chase Savings \$ 460.99	0.05%	
\$3.4 Trillion	5 stars	** Chase Total \$ 856,216.55		Total \$ 31,192,413
		SBM Horizon Bank Money Market \$ 9.06	0.00%	
\$7.6 Billion	5 stars	Horizon Bank Total w/CD \$ 1,996,078.98		
		SBM Fifth Third Commercial Now \$ 2,080.06	0.30%	
\$206 Billion	5 stars	Fifth Third Total \$ 2,080.06		
		Grand River Bank Money Market \$ 10,161.88	1.75%	
\$511 Million	4 stars	Grand River Bank Total w/CD \$ 10,161.88		
		MSUFCU Savings \$ 56.09	0.00%	
		MSUFCU Checking \$ 9,985.54	0.00%	
		MSU Credit Union Total \$ 10,041.63		
\$7.3 Billion	5 stars	MSU Credit Union Total w/CD \$ 1,026,804.06		
		LAFUCU Savings \$ 5.00		
\$987 Million	5 stars	LAFUCU Total w/CD \$ 5.00		
		CASE Cr Un \$ 6.38		
\$399 Million	5 stars	CASE Cr Un Total w/CD \$ 6.38		
		SBM Flagstar ICS Checking \$ 47,615.23	3.40%	
\$25 Billion	5 stars	ADS Flagstar ICS Checking Account \$ 125,032.68	3.40%	
		CPF Flagstar ICS Checking \$ 170,881.25	3.40%	
		Flagstar Bank FDIC Insured \$ 343,529.16		

State Bar Admin Fund Summary

Cash and Investments	\$	13,979,076
Less:		
Due (to)/from Sections	\$	(3,564,300)
Due (to)/from CPF	\$	(124)
Due to Sections and CPF	\$	(3,564,424)
Net Administrative Fund	\$	10,414,652

SBM Average Weighted Yield:	4.49%
ADS Average Weighted Yield:	4.62%
CPF Average Weighted Yield:	4.36%

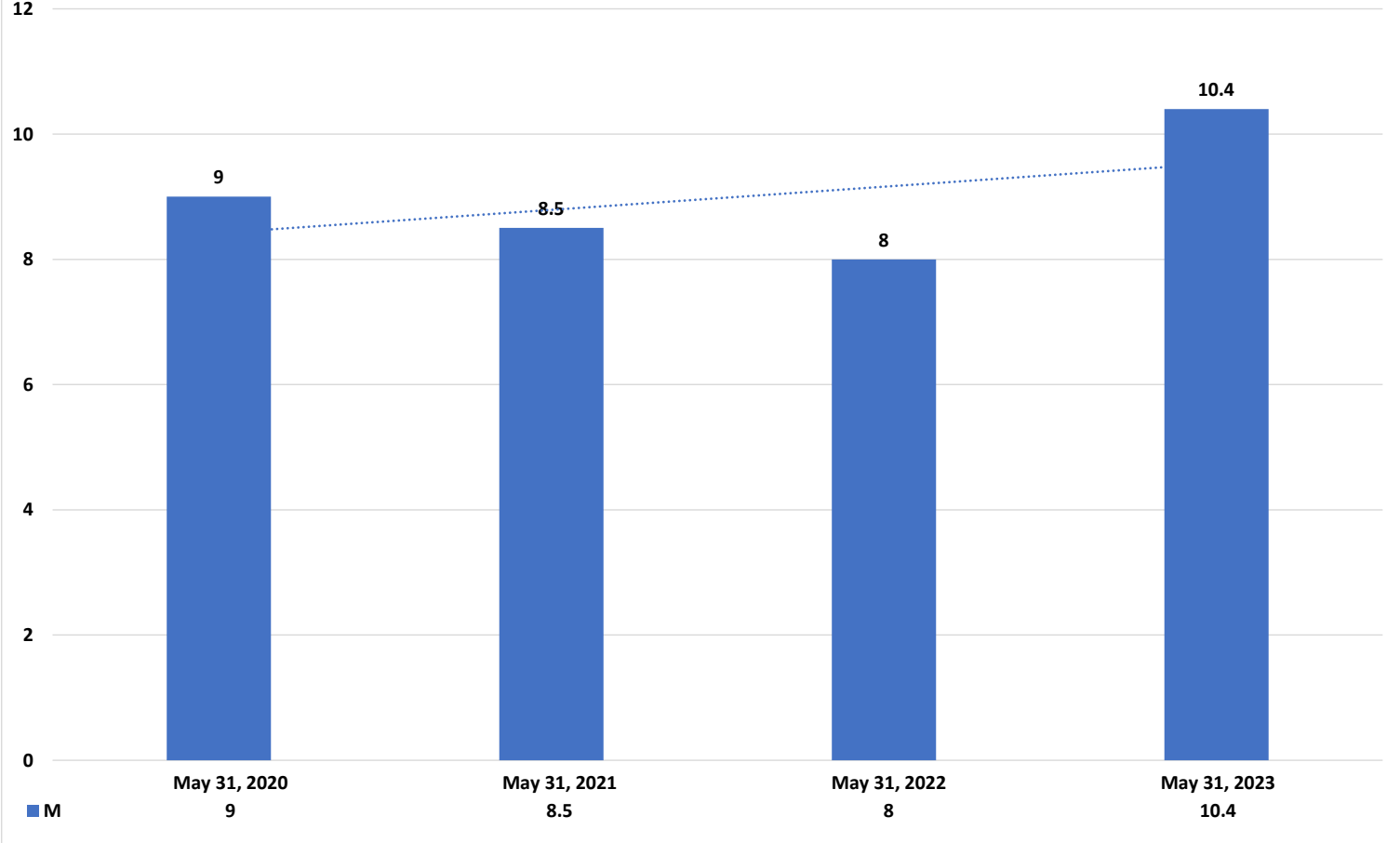
Notes:

- Average weighted yields exclude retiree health care trusts.
- All amounts are based on reconciled book balance and interest rates as of 05/31/2023.
- CDARS when used are invested in multiple banks up to the FDIC limit for each bank.
- Funds held in bank accounts are FDIC insured up to \$250,000 per bank.
- The SBM funds held with Charles Schwab in the Retiree Health Care Trusts are invested in 77% equity securities, 21% in bonds, and 2% in money market funds.
- As of 05/31/2023, the funds held by SBM attributable to ADS were \$51,003.39
- Bank Star rating from Bauer Financial.
- Lockbox fees are offset by 0.30% p.a. on average monthly balance (*)
- Actual unreconciled Chase balance per statements was \$794,768.43(**).

Assets	Bank Rating	Financial Institution Summary	Interest Rates	Maturity	
N/A	N/A				
		SBM US Treasuries			
		ZG7 \$	750,000.00	4.69%	6/1/23
		X53 \$	249,503.20	4.53%	6/15/23
		ZR3 \$	498,036.60	4.59%	6/29/23
		ZS1 \$	547,415.96	4.65%	7/6/23
		XQ7 \$	1,515,979.18	4.84%	7/13/23
		ZZ5 \$	248,274.79	4.92%	7/20/23
		Y29 \$	545,568.79	4.96%	7/27/23
		Y37 \$	3,567,625.88	4.67%	8/3/23
		Z36 \$	1,038,599.59	5.07%	8/17/23
		Z44 \$	987,973.61	5.18%	8/24/23
		US Gov MM Fund-SXX \$	4,549.37	4.25%	-
		SBM US Treasuries Total	\$ 9,953,526.97		
		CPF US Treasuries			
		ZQ5 \$	997,024.27	4.55%	06/22/23
		ZR3 \$	99,607.32	4.59%	06/29/23
		ZS1 \$	746,476.31	4.65%	07/06/23
		Y37 \$	247,751.80	4.67%	08/03/23
		YJ2 \$	245,450.00	4.02%	10/05/23
		US Gov MM Fund - GXX \$	100,000.00	4.25%	
		CPF US Treasuries Total	\$ 2,436,309.70		
		ADS US Treasuries			
		UG Gov MM Fund \$	111,050.67	4.25%	
		ZG7 \$	450,000.00	4.59%	06/01/23
		ZP7 \$	499,489.59	4.81%	06/08/23
		Y37 \$	2,824,370.49	4.67%	08/03/23
		Z36 \$	1,137,513.84	5.07%	08/17/23
		ADS US Treasuries Total	\$ 5,022,424.59		
		US Treasuries Total	\$ 17,412,261.26		
		SBM Flagstar Savings	\$ 254,141.25	3.91%	
			\$ 254,141.25		
		SBM-CD First National Bank of America \$ -			
		SBM-CD First National Bank of America \$ -			
\$25 Billion	5 stars	SBM-CD MSU Credit Union \$ -			
		SBM-CD MSU Credit Union \$ -			
		SBM-CD MSU Credit Union \$ -			
		SBM-CD MSU Credit Union \$ -			
		SBM-CD MSU Credit Union \$	256,758.19	4.32%	11/21/2023
		SBM-CD MSU Credit Union \$	256,758.19	4.32%	11/21/2023
		SBM-CD MSU Credit Union \$	256,758.19	4.32%	11/21/2023
		SBM-CD MSU Credit Union \$	246,487.86	4.32%	11/21/2023
		Horizon Bank \$	235,000.00	4.82%	07/30/23
		Horizon Bank \$	235,000.00	4.82%	07/30/23
		Horizon Bank \$	255,434.02	4.85%	6/6/2023
\$6.8 Billion	5 stars	Horizon Bank \$	255,434.02	4.85%	6/6/2023
		Horizon Bank \$	255,434.02	4.85%	6/6/2023
		Horizon Bank \$	255,434.02	4.85%	6/6/2023
		Horizon Bank \$	252,166.92	4.63%	6/11/2023
		Horizon Bank \$	252,166.92	4.63%	6/11/2023
		Bank CD Totals	\$ 3,012,832.35		
\$7.6 Billion	5 stars	il Cash & Investments (excluding Schwab)	\$ 21,901,284.58		
		SBM - Charles Schwab (Ret HC Trust) \$	3,968,828.08	Mutual Funds	
		ADB - Charles Schwab (Ret HC Trust) \$	1,305,513.50	Mutual Funds	
		AGC - Charles Schwab (Ret HC Trust) \$	4,016,786.58	Mutual Funds	
		Charles Schwab Totals	\$ 9,291,128.16		
		Grand Total (including Schwab)	\$ 31,192,406.36		
		Total amount of cash and investments (excluding Schwab) not FDIC insured	\$ 3,129,099.59	14.29%	

Assets & Ratings updated 4/12/2023

State Bar of Michigan Cash & Investments
Excluding Sections, Client Protection Fund and Retiree Health Care Trust
For the Eight Months Ending May 31, 2023
\$10.4M



Note: The State Bar of Michigan has no bank debt outstanding

Monthly SBM Attorney and Affiliate Report - May 31, 2023

FY 2023

	September 30 2016	September 30 2017	September 30 2018	September 30 2019	September 30 2020	September 30 2021	September 30 2022	May 31 2023	FY Increase (Decrease)
Attorneys and Affiliates In Good Standing									
Active	41,921	42,100	42,342	42,506	42,401	42,393	42,395	41,946	(449)
Less than 50 yrs serv	40,725	40,833	40,973	41,036	40,559	40,504	40,680	40,048	(632)
50 yrs or greater	1,196	1,267	1,369	1,470	1,842	1,889	1,715	1,898	183
Voluntary Inactive	1,250	1,243	1,169	1,139	1,192	1,097	1,072	1,114	42
Less than 50 yrs serv	1,230	1,217	1,142	1,105	1,149	1,055	1,030	1,065	35
50 yrs or greater	20	26	27	34	43	42	42	49	7
Emeritus	1,841	1,973	2,204	2,447	2,727	3,033	3,306	3,644	338
Total Attorneys in Good Standing	45,012	45,316	45,715	46,092	46,320	46,523	46,773	46,704	(69)
Fees paying Attorneys (Active & Inactive less than 50 yrs of Serv)	41,955	42,050	42,115	42,141	41,708	41,559	41,710	41,113	(597)
Affiliates									
Legal Administrators	13	13	10	10	8	5	2	2	-
Legal Assistants	405	400	401	393	317	219	214	237	23
Total Affiliates in Good Standing	418	413	411	403	325	224	216	239	23
Total Attorneys and Former Attorneys in the Database									
	September 30 2016	September 30 2017	September 30 2018	September 30 2019	September 30 2020	September 30 2021	September 30 2022	May 31 2023	FY Increase (Decrease)
State Bar of Michigan Attorney and Affiliate Type									
Attorneys in Good Standing:									
ATA (Active)	41,921	42,100	42,342	42,506	42,401	42,393	42,395	41,946	(449)
ATVI (Voluntary Inactive)	1,250	1,243	1,169	1,139	1,192	1,097	1,072	1,114	42
ATE (Emeritus)	1,841	1,973	2,204	2,447	2,727	3,033	3,306	3,644	338
Total Attorneys in Good Standing	45,012	45,316	45,715	46,092	46,320	46,523	46,773	46,704	(69)
Attorneys Not in Good Standing:									
ATN (Suspended for Non-Payment of Dues)	5,743	5,888	6,072	6,246	6,416	6,472	6,588	6,872	284
ATDS (Discipline Suspension - Active)	418	430	439	440	445	449	454	457	3
ATDI (Discipline Suspension - Inactive)	18	19	19	24	25	25	25	25	-
ATDC (Discipline Suspension - Non-Payment of Court Costs)	3	16	15	16	16	14	14	15	1
ATNS (Discipline Suspension - Non-Payment of Other Costs)	99	94	95	98	100	102	106	104	(2)
ATS (Attorney Suspension - Other)*	1	-	1	1	2	-	-	-	-
ATR (Revoked)	534	562	583	596	613	623	634	643	9
ATU (Status Unknown - Last known status was inactive)**	2,074	2,070	2,070	2,070	2,070	2,070	2,047	2,047	-
Total Attorneys Not in Good Standing	8,890	9,079	9,294	9,491	9,687	9,755	9,868	10,163	295
Other:									
ATSC (Former special certificate)	145	152	155	157	158	164	167	169	2
ATW (Resigned)	1,539	1,612	1,689	1,798	1,907	2,036	2,143	2,253	110
ATX (Deceased)	8,720	9,042	9,287	9,524	9,793	10,260	10,664	10,911	247
Total Other	10,404	10,806	11,131	11,479	11,858	12,460	12,974	13,333	359
Total Attorneys in Database	64,306	65,201	66,140	67,062	67,865	68,738	69,615	70,200	585

* ATS is a new status added effective August 2012 - suspended by a court, administrative agency, or similar authority

** ATU is a new status added in 2010 to account for approximately 2,600 attorneys who were found not to be accounted for in the iMIS database
The last known status was inactive and many are likely deceased. We are researching these attorneys to determine a final disposition.

N/R - not reported

Notes: Through May 31, 2023 a total of 586 new attorneys joined SBM.

TO: Board of Commissioners

FROM: Professional Standards Committee

DATE: July 21, 2023, BOC Meeting

RE: Client Protection Fund Claims for Consent Agenda

Rule 15 of the Client Protection Fund Rules provides that “claims, proceedings and reports involving claims for reimbursement are confidential until the Board authorizes reimbursement to the claimant.” To protect CPF claim information as required in the Rule, and to avoid negative publicity about a lawyer subject to a claim, which has been denied and appealed, the CPF Report to the Board of Commissioners is designated “confidential.”

**CONSENT AGENDA
 CLIENT PROTECTION FUND**

Claims recommended for payment:

Consent Agenda:

	<u>Claim No.</u>	<u>Amt. Recommended</u>
1.	CPF 3770	\$5,000.00
2.	CPF 3779	\$12,500.00
3.	CPF 3819	\$3,100.00
4.	CPF 3824	\$3,000.00
5.	CPF 3855	\$10,000.00
6.	CPF 3859	\$3,857.90
7.	CPF 3860	\$500.00
8.	CPF 3869	\$500.00
9.	CPF 3880	\$5,500.00
10.	CPF 3881	\$660.00
11.	CPF 3884	\$3,000.00
12.	CPF 3896	\$3,000.00
13.	CPF 3914	\$8,000.00
14.	CPF 3917	\$1,000.00
15.	CPF 3933	\$4,500.00
	TOTAL	\$64,117.90

The Professional Standards Committee recommends payment of these claims by the State Bar of Michigan Client Protection Fund:

1. CPF 3770 \$5,000.00

Respondent was retained to represent Claimant in a breach of contract matter for a fee of \$5,000. The engagement agreement stated, if any of the retainer fee remained unused at the conclusion of the matter, it would be refunded.

Claimant paid Respondent \$9,721.50 for the representation. Respondent did not deposit the unearned fees into a lawyer trust account. Respondent filed and served a complaint and motion, paid the \$175 filing fee, and reviewed defendant's answer and counter complaint invoicing Claimant \$4,721.50 for costs and services provided, leaving a balance of \$5,000. Respondent failed to complete the agreed upon legal services. Respondent's failure to return the unearned portion of the retainer fee advanced to him constitutes dishonest conduct and is a reimbursable loss as provided by CPF Rules 9(C)(1), 9(C)(6) and 11(B).

2. CPF 3779 \$12,500.00

Respondent was retained as lead counsel in Claimant's criminal matter for a flat fee of \$35,000, representing 140 hours of service at \$250 per hour, plus costs. Per the Agreement, Respondent received \$25,000 and the second attorney received \$10,000. Respondent met with Claimant about 8 times; filed four motions and a discovery request; attended seven pre-trial hearings, the preliminary examination, and a motion hearing; located a medical expert to testify on Claimant's behalf; and participated in plea negotiations with the prosecutor.

Unless an attorney has a written fee agreement that comports with *Cooper*,¹ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.² Since Respondent did not provide the agreed upon services, the flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Two attorneys were retained to represent Claimant under the same Agreement, Respondent did not communicate with the Fund or the AGC; however, the second attorney offered, and Claimant accepted, a 50% refund of the fees advanced to him. Based on this offer and acceptance, a reasonable person could conclude that Respondent, considering the services provided, completed approximately 50 hours of legal services, or earned 50% of the fees advanced to him. Respondent's failure to refund the unearned portion of the advanced fee constitutes dishonest conduct and is a reimbursable loss as provided by CPF Rules 9(C)(1) and 9(C)(6).

3. CPF 3819 \$3,100.00

Respondent was retained by Claimant to pursue a claim for damages under a 40% contingency fee agreement. Respondent agreed to forgo his contingency fee and negotiated a settlement for \$9,000. Claimant relied on Respondent's representation to forego the contingency fee when he entered into the settlement. The Settlement Release provided for the settlement to be paid as two checks: one to Respondent's law firm for \$3,600 and one to Claimant for \$3,312.90 (the \$5,400 less taxes). Respondent provided the \$3,312.90 check to Claimant but did not provide Claimant with the \$3,600

¹ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

² RI-069

settlement check. While attempting to obtain the remainder of the settlement proceeds from Respondent, Claimant offered to pay Respondent \$500 from the \$3,600 settlement check for the representation, leaving a balance due Claimant of \$3,100. The ADB ordered Respondent to return the \$3,100. Respondent did not disburse the \$3,100 to Claimant, which constitutes dishonest conduct and is a reimbursable loss as provided by CPF Rules 9(C)(1) and 11(B).

4. CPF 3824 \$3,000.00

Respondent was retained to represent Claimant in a child custody matter for a flat fee of \$3,000. Respondent spoke with Claimant twice and exchanged text messages before Claimant learned of Respondent's suspension three months prior. Respondent completed no legal services before he was suspended from the practice of law. Respondent's failure to return the unearned fee constitutes dishonest conduct and is a reimbursable loss as provided by CPF Rules 9(C)(1) and 9(C)(6).

5. CPF 3855 \$10,000.00

Respondent was retained to represent Claimant in a criminal matter for a flat fee of \$12,000. Claimant paid Respondent \$10,000 towards the agreed upon fee. Respondent died before completing any legal services.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

6. CPF 3859 \$3,857.90

Claimant retained Respondent to represent him in a criminal matter and a probation violation for a combined non-refundable flat fee of \$10,000. Respondent was paid \$5,000 towards the agreed upon fee. Respondent died after completing \$1,000 in legal services and expending \$142.10 in costs.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Unless an attorney has a written fee agreement that comports with *Cooper*,³ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.⁴ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

³ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

⁴ RI-069

7. CPF 3860 \$500.00

Respondent was retained to represent Claimant in a divorce matter at the rate of \$250 per hour. Claimant's friend paid Respondent \$3,500 in advance for the representation. Respondent met with Claimant four times to discuss the mediation process, to sign a motion to be filed, review documents filed by opposing counsel and generated by the court; appeared on Claimant's behalf, and draft a Consent Judgment of Divorce earning \$3,000 of the \$3,500 advanced to him before Respondent died.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Unless an attorney has a written fee agreement that comports with *Cooper*,⁵ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.⁶ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

8. CPF 3869 \$500.00

Respondent was retained to represent Claimant in a criminal matter for a non-refundable flat fee of \$5,000. Respondent met with Claimant three times, obtained and review discovery materials, filed two Appearances requested the Secretary of State and District Court provided an interpreter at each hearing, negotiated a plea deal for reckless driving, and paid \$100 for video discovery earning \$4,500 of the \$5,000 advanced to him before Respondent died.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Unless an attorney has a written fee agreement that comports with *Cooper*,⁷ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.⁸ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

9. CPF 3880 \$5,500.00

Claimant retained Respondent to represent him in a civil matter for a non-refundable fee of \$7,500, at a discounted rate of \$250 per hour. Claimant paid Respondent \$7,500 for the representation. Respondent died after completing \$2,000 in legal services.

⁵ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

⁶ RI-069

⁷ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

⁸ RI-069

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*, the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.⁹ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

10. CPF 3881 \$660.00

Respondent was retained to represent Claimant in a divorce matter for a minimum fee of \$4,000, Respondent agreed to bill Claimant \$300 per hour. Pursuant to an Order from the court to pay Attorney Fees under a fee shifting statute, Claimant's husband paid Respondent \$5,000.

Respondent filed an Appearance, a Stipulation and Order to Adjourn Trial, and Defendant's First Request for Production of Documents and Proof of Service. Respondent also responded to about two dozen emails from various parties, received and made several phone calls, prepared responses to interrogatories, and reviewed discovery materials; invoicing Claimant shortly before his death \$4,340, leaving a balance of \$660. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

11. CPF 3884 \$3,000.00

Respondent was retained to represent Claimant in his investigative case for a non-refundable flat fee of \$500 with additional fees required if criminal charges were filed. Upon filing criminal charges, Respondent requested an additional \$4,500, which Claimant paid, for a total flat fee of \$5,000. Respondent died after completing \$2,000 in legal services.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*, the fee is refundable and must be held in an attorney trust account until earned. A respondent's failure to safeguard the funds in an attorney trust account until the fees are earned violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return

⁹ RI-069

an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

12. CPF 3896 \$3,000.00

Claimant retained Respondent to represent her in a divorce case for a non-refundable flat fee of \$5,000. Respondent died after completing \$2,000 in legal services.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*, the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.¹⁰ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

13. CPF 3914 \$3,000.00

Respondent was retained to represent Claimant in a criminal matter for a non-refundable flat fee of \$10,000. Respondent filed an Appearance, Demand for Jury Trial, Demand for Bill of Particulars, and Demand for Police Report, consulted with Claimant by phone four times, and appeared in court twice advancing the case to Pre-trial. Respondent's Law Firm provided the Fund with a spreadsheet reflecting the retainer amount received from each client and the amount earned. Claimant's entry confirms the receipt of \$4,000 with \$1,000 of the fee being earned before Respondent died.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*,¹¹ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.¹² A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant

¹⁰ RI-069

¹¹ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

¹² RI-069

after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

14. CPF 3917 **\$1,000.00**

Claimant retained Respondent to represent him in a criminal matter for a non-refundable flat fee of \$5,000. Respondent died after completing \$4,000 in legal services.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*,¹³ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.¹⁴ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

15. CPF 3933 **\$4,500.00**

Respondent was retained to represent Claimant in a criminal matter for a non-refundable flat fee of \$5,000. Respondent spoke with Claimant twice and filed his Appearance and Demands before his death. The Law Firm provided the Fund with a spreadsheet reflecting the retainer amount received from each client and the amount earned. Claimant's entry confirms the receipt of \$5,000 with \$500 being earned.

In claims involving a deceased respondent, the death of the respondent is not considered dishonest conduct. However, the death of the respondent leads to the discovery of dishonest conduct. Nonrefundable retainers are ethically permissible if the fee agreement is unambiguous. Respondent's retainer letter fails to address the premature termination of the representation either by Claimant or Respondent before completion. Since Respondent did not provide the agreed upon services, the nonrefundable flat fee may be deemed unreasonable or excessive contrary to MPRC 1.5(a).

Unless an attorney has a written fee agreement that comports with *Cooper*,¹⁵ the fee is refundable and must be held in an attorney trust account. A flat fee is not earned until the conclusion of the representation and must be held in trust until earned.¹⁶ A respondent's failure to safeguard the funds in an attorney trust account until the conclusion of the representation, which is when the fees are earned, violates MRPC 1.15. The failure of a respondent's law firm or estate to reimburse claimant

¹³ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

¹⁴ RI-069

¹⁵ *Grievance Adm'r v Cooper*, 757 NW2d 867 (2008)

¹⁶ RI-069

after Respondent's death is a failure to return an unearned fee in violation of MRPC 1.15 and is a reimbursable loss under CPF Rule 9(C)(1) and Rule 9(D)(6).

Total payments recommended: \$64,117.90

FY 2024 Preliminary Budget

Key Budget Assumptions

Ver. 06.21.2023

The FY 2024 budget is based on continuing to operate existing programs and services consistent with the Strategic Plan and in compliance with SBM financial safety margin policy for the lifecycle of the 2023 fee increase.

Operating Revenues

License Fees and Related Revenues

License Fees – Projecting a 1.2% decrease (\$134,500) for license fee and related revenue in FY 2024. This projection is based on the forecasted number of active and inactive paying members, including trends in new attorney applications and estimated attorney attrition.

Other Operating Revenues

Other operating revenues are projected to be 3.3% higher than FY 2023 budget (\$57,520).

- The new Interim Administrator Program (IAP) will be fully launched in FY 2024. IAP revenues are budgeted at 1,500 members choosing to enroll in SBM's program at a cost of \$60/member (est. +\$90,000).
- New revenues from UBE transfer applicants (+\$37,500).
- Less projected revenue from credit card surcharge fee due to more members choosing other payment methods (-\$91,000).
- Decreased demand for services from sections (-\$9,000).
- Decreased projection in revenue from partner programs (-\$3,000).
- Anticipated lower revenue for ticket sales for the Inaugural and Awards Luncheon (-\$12,000).
- Projected increase in referral fees from the lawyer referral service (+\$10,000).
- Modest increases projected in Great Lakes Legal Conference and 50-Year Honoree Luncheon revenues (+\$5,500).
- Less revenue from ethics seminars due to lower number of participants (-\$2,375).
- Advertising revenues remain flat.
- Higher rent from Michigan State Bar Foundation (5% CPI adjustment per lease agreement).
- Continuing charging Client Protection Fund and Attorney Disciple System for administrative services at cost.

Non-Operating Revenues

Investment Income – Projecting an average interest rate of 3.5% on higher investment balances (est. +\$324,000).

Operating Expenses

Labor – Salaries, Benefits & Payroll Taxes

Budgeted staffing in FY 2024 of 75.5 FTE, same as FY 2023. Total cost of salaries, benefits, and taxes is projected to increase by 3.6% (\$288,335).

Salaries – Estimated to increase by 3.9% which is a combination of 2% COLA, step increases and market adjustments (est. \$80,000), and the annual \$50,000 incentive compensation.

Benefits – No changes in benefit plans being offered. The hard cap established by the Publicly Funded Health Insurance Contributions Act (PA 152) sets the limits on the amounts an employer can contribute to the employee medical insurance and requires that employees pay the premium amount over the caps. Blended FY 2024 rates increased by 4.1% to \$7,627 for single, \$15,950 for two-person, and \$20,801 for family coverage. No changes in payments for opting out of medical coverage. No changes in premiums for vision, long-term disability, short-term disability, group term life, and accidental death and dismemberment insurance. Five percent increase in cost of dental insurance.

No changes in retirement plans. Three percent increase in retiree health care premiums for current retirees paid to the State of Michigan.

Payroll Taxes – Taxes are based on budgeted salaries, no wage cap for Medicare tax, 2023 social security wage cap of \$160,200 and \$167,700 for 2024. No changes to the employer FICA and Medicare tax rates.

Non-Labor Expenses

Non-labor operating expenses are projected to increase by a 4.7% (\$179,140) compared to FY 2023 budget¹. Continue conducting committee and other meetings virtually when feasible. This helps save costs and enhances participation. BOC meetings are budgeted to be in-person, and RA meetings are budgeted to be hybrid with in-person and virtual options.

Existing programs and services are expected to continue with no significant budgetary changes, except as noted below:

- Slightly higher costs for Client Protection Fund due to pursuit of litigation to recover costs (+\$6,800).
- Support for Michigan Legal Help (\$50,000) and ATJ Fundraising (\$75,000) is continuing at FY 2023 levels.
- Higher building operating expenses, including utilities, maintenance, and insurance (+\$24,250).
- Lower credit card processing fees (-\$73,000) due to less credit card payments.
- Increases in property tax payment to the City of Lansing (+\$4,000), echeck and lockbox fees (+\$5,000), audit fees (+\$3,000), and depreciation (\$15,000).
- Higher expenses for record storage, bar cards, and postage (+\$6,000).
- *Bar Journal* costs for paper, postage, and printing costs have increased dramatically in the current fiscal year and the trend is likely to continue in FY 2024 (+\$41,000).

¹ Excluding a one-time FY 2024 \$80,000 IT expense, non-labor operating expenses are projected to increase by 2.6% (\$99,140).

- Higher e-mail and electronic publishing platform costs (+\$3,000).
- Lower costs for in-house print and design due to lower printing volumes (-\$8,000).
- Presidential Inauguration and Awards Luncheon (formerly Annual Meeting) – In person at the same location as the Board of Commissioners and RA meeting in Southeast Michigan; savings due to lower video services costs (-\$6,100).
- 50-Year Honoree Luncheon costs are increasing due to higher attendance and food costs (+\$10,000).
- Great Lakes Legal Conference expenses budgeted higher due to venue and food costs (+\$25,800).
- LJAP will continue to access funds donated to the Program by SBM members through the license renewal process to the Michigan State Bar Foundation.
- An increase in the IT budget due to additional IMIS (database) contractor services (+\$35,000), video and audio equipment (+\$9,000), computer replacements (+\$15,000), and transition and succession planning for expected turnover in the IT team (+\$80,000), offset by lower software subscription and other services (-\$16,000).

Capital Expenditures

Major planned IT infrastructure upgrades have been completed and thus lower capital expenditure spending is anticipated in FY 2024. FY 2024 capital expenditures are estimated at \$259,680 (FY 2023 budget: \$568,100).

- Same scope for member portal and e-commerce development as in FY 2023 which is estimated at \$19,140 per month for three developers; contract fees are expected to increase by 10% (est. \$229,680).
- Board room Apple presentation points upgrades (est. \$30,000).

FY 2024 Proposed Budget Potential Upsides & Risks

Potential Upsides

- Labor savings due to vacancy float and lower benefits expenses.
- Additional savings due to virtual meetings and events.
- SBM retiree healthcare trust may start paying retiree healthcare premiums which would eliminate the need to use SBM operating funds for this purpose.

Potential Risks

- Lower-than-anticipated license fee revenue resulting from higher-than-anticipated reduction in paying members.
- Lower-than-anticipated other operating revenues (advertising, print, lawyer referral services, character & fitness, and interest income).
- The Interim Administrator Program was planned to be cost neutral; however, it may take a few years for the program to stabilize before we can predictably measure its budgetary impact. Less members may choose to enroll in the SBM program than budgeted, and costs for the program could be higher than anticipated.
- Higher-than-anticipated operating costs due to inflation.
- Unexpected litigation.

- Business interruption costs associated with spikes in COVID-19.

**State Bar of Michigan
FY 2024 Proposed Budget Summary**

	<u>FY 2018 Actual</u>	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Actual</u>	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Budget</u>	<u>FY 2023 Forecast</u>	<u>FY 2024 Proposed Budget</u>	<u>FY 2024 Prop. Budget vs. FY 2023 Forecast</u>	<u>FY 2024 Prop. Budget vs. FY 2023 Budget</u>
Operating Revenues											
- License Fees and Related	7,732,040	7,750,310	7,732,165	7,764,197	7,653,000	7,675,680	10,929,500	10,833,630	10,795,000	(38,630)	(134,500)
- All Other Operating Revenue	1,632,612	1,601,163	1,390,417	1,409,807	1,467,850	1,517,857	1,747,435	1,707,212	1,804,955	97,743	57,520
Total Operating Revenue	<u>9,364,652</u>	<u>9,351,473</u>	<u>9,122,582</u>	<u>9,174,004</u>	<u>9,120,850</u>	<u>9,193,537</u>	<u>12,676,935</u>	<u>12,540,842</u>	<u>12,599,955</u>	<u>59,113</u>	<u>(76,980)</u>
Operating Expenses											
- Labor-related Operating Expenses											
Salaries	4,819,766	5,051,419	5,281,014	5,089,955	5,437,140	5,418,000	5,894,701	5,894,701	6,124,434	229,733	229,733
Employee Benefits & Payroll Taxes	1,775,841	1,833,191	1,776,147	1,694,812	1,912,006	1,540,619	2,012,614	1,910,587	2,071,216	160,629	58,602
Retiree Health Care Liability Exp	-	-	-	-	-	-	-	-	-	-	-
Total Labor-related Operating Expenses	<u>6,595,607</u>	<u>6,884,610</u>	<u>7,057,161</u>	<u>6,784,767</u>	<u>7,349,146</u>	<u>6,958,619</u>	<u>7,907,315</u>	<u>7,805,288</u>	<u>8,195,650</u>	<u>390,362</u>	<u>288,335</u>
- Non-labor Operating Expenses											
Legal	152,260	215,715	183,249	128,086	224,875	163,361	234,090	204,570	246,700	42,130	12,610
Public and Bar Services	938,232	906,733	746,721	778,524	1,079,949	778,840	1,073,875	1,013,579	1,232,705	219,126	158,830
Operations and Policy	2,566,982	2,558,329	2,281,205	2,167,121	2,587,570	2,098,659	2,541,980	2,354,414	2,549,680	195,266	7,700
Total Non-labor Operating Expenses	<u>3,657,474</u>	<u>3,680,777</u>	<u>3,211,175</u>	<u>3,073,732</u>	<u>3,892,394</u>	<u>3,040,861</u>	<u>3,849,945</u>	<u>3,572,562</u>	<u>4,029,085</u>	<u>456,523</u>	<u>179,140</u>
Total Operating Expenses	<u>10,253,081</u>	<u>10,565,387</u>	<u>10,268,336</u>	<u>9,858,499</u>	<u>11,241,540</u>	<u>9,999,480</u>	<u>11,757,260</u>	<u>11,377,850</u>	<u>12,224,735</u>	<u>846,885</u>	<u>467,475</u>
Total Operating Income/(Loss)	(888,429)	(1,213,914)	(1,145,754)	(684,494)	(2,120,690)	(805,942)	919,675	1,162,991	375,220	(787,771)	(544,455)
Non-Operating Revenue/(Expense)											
- Investment Income	179,640	249,731	199,067	70,185	33,000	62,582	194,000	525,000	518,000	(7,000)	324,000
- Investment Income (Loss) - Retiree Health Care Trust	202,417	384,630	318,946	824,417	-	(1,216,661)	-	-	-	-	-
- Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
- Loss on Disposal of Capital Asset	(34,963)	(4,000)	(17,570)	(8,793)	-	(78)	-	-	-	-	-
Total Non-Operating Revenue/(Expense)	<u>347,094</u>	<u>630,361</u>	<u>500,443</u>	<u>885,809</u>	<u>33,000</u>	<u>(1,154,157)</u>	<u>194,000</u>	<u>525,000</u>	<u>518,000</u>	<u>(7,000)</u>	<u>324,000</u>
Incr / (Decr) in Net Position	<u>(541,335)</u>	<u>(583,553)</u>	<u>(645,311)</u>	<u>201,315</u>	<u>(2,087,690)</u>	<u>(1,960,099)</u>	<u>1,113,675</u>	<u>1,687,991</u>	<u>893,220</u>	<u>(794,771)</u>	<u>(220,455)</u>

**FY 2024 Proposed Budget Summary
Legal**

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	FY 2023 Budget	FY 2023 Forecast	FY 2024 Proposed Budget	FY 2024 Prop. Budget vs. FY 2023 Forecast	FY 2024 Prop. Budget vs. FY 2023 Budget
Legal											
Operating Revenues											
- Ethics	8,620	7,895	6,090	7,325	4,875	2,025	4,875	2,500	2,500	-	(2,375)
- IAP	-	-	-	-	-	-	-	-	90,000	90,000	90,000
- Character & Fitness	218,495	294,335	325,940	312,885	358,125	267,120	291,310	341,360	329,970	(11,390)	38,660
Total Op Revenues	<u>227,115</u>	<u>302,230</u>	<u>332,030</u>	<u>320,210</u>	<u>363,000</u>	<u>269,145</u>	<u>296,185</u>	<u>343,860</u>	<u>422,470</u>	<u>78,610</u>	<u>126,285</u>
Legal Salaries	-	-	1,062,557	1,148,305	1,261,316	1,237,208	1,360,946	1,360,946	1,410,180	49,234	49,234
Other Operating Expenses											
- Ethics	10,531	16,490	7,201	2,124	10,795	1,819	10,285	7,835	11,385	3,550	1,100
- Client Protection Fund	16,735	11,096	2,461	3,285	12,930	15,986	10,660	18,210	17,410	(800)	6,750
- Interim Administrator Program	-	-	-	-	1,150	-	19,215	8,645	19,410	10,765	195
- Character & Fitness	45,350	52,843	40,663	49,705	61,750	41,087	60,050	49,900	61,250	11,350	1,200
- Unauthorized Practice of Law	16,718	16,582	15,704	4,489	13,050	3,097	11,850	7,730	14,250	6,520	2,400
- General Counsel	7,019	40,749	64,581	27,268	61,000	49,866	45,250	41,000	42,215	1,215	(3,035)
- Human Resources	55,907	77,955	52,639	41,214	64,200	51,506	76,780	71,250	80,780	9,530	4,000
- Employee Benefits & Payroll Taxes	1,775,841	1,833,191	1,776,147	1,694,812	1,912,006	1,540,619	2,012,614	1,910,587	2,071,216	160,629	58,602
- Retiree Health Care Liability Contribution	-	-	-	-	-	-	-	-	-	-	-
Total Other Operating Expense	<u>1,928,101</u>	<u>2,048,906</u>	<u>1,959,396</u>	<u>1,822,898</u>	<u>2,136,881</u>	<u>1,703,980</u>	<u>2,246,704</u>	<u>2,115,157</u>	<u>2,317,916</u>	<u>202,759</u>	<u>71,212</u>

**FY 2024 Proposed Budget Summary
Public and Bar Services**

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	FY 2023 Budget	FY 2023 Forecast	FY 2024 Proposed Budget	FY 2024 Prop. Budget vs. FY 2023 Forecast	FY 2024 Prop. Budget vs. FY 2023 Budget
Public and Bar Services											
Operating Revenues											
- Inaugural and Awards Luncheon (Annual Meeting)	115,388	26,246	-	-	31,000	8,550	25,000	13,000	13,000	-	(12,000)
- Lawyer Services	288,154	235,016	195,734	213,887	205,025	230,002	207,800	206,281	209,410	3,129	1,610
- Bar Leadership Forum	11,377	12,097	946	-	11,725	13,605	12,000	36,535	35,000	(1,535)	23,000
- UMLI	12,193	14,030	597	-	12,500	20,363	20,000	-	-	-	(20,000)
- 50 Year Golden Celebration	-	-	-	-	3,350	2,438	3,350	5,960	5,600	(360)	2,250
- Practice Management Resource Center	125	20	530	1,375	3,500	939	3,000	3,000	3,000	-	-
- Lawyer Referral Service	148,667	190,605	127,560	137,775	150,000	182,478	150,000	155,000	160,000	5,000	10,000
- Diversity	-	-	-	-	-	5,000	-	-	-	-	-
- Lawyers & Judges Assistance Program	40,718	42,724	41,315	51,876	60,000	49,245	60,000	56,500	60,000	3,500	-
Total Op Revenues	616,622	520,738	366,683	404,913	477,100	512,620	481,150	476,276	486,010	9,734	4,860
Public and Bar Services Salaries	-	-	2,201,813	1,814,327	1,934,171	2,002,184	2,123,242	2,123,242	2,192,791	69,549	69,549
Other Operating Expenses											
- Inaugural and Awards Luncheon (Annual Meeting)	187,706	57,660	21,186	4,124	69,000	34,952	64,500	50,850	58,400	7,550	(6,100)
- Lawyer Services	96,441	93,380	77,518	32,464	34,150	26,435	31,100	31,200	30,750	(450)	(350)
- Bar Leadership Forum	28,736	24,801	847	-	34,500	23,755	37,650	75,850	97,800	21,950	60,150
- UMLI	23,644	25,409	3,393	-	31,400	21,459	34,400	-	-	-	(34,400)
- 50 Year Golden Celebration	-	-	1,643	2,790	38,200	30,677	37,900	43,235	47,900	4,665	10,000
- Practice Management Resource Center	6,105	3,697	5,118	3,041	10,505	6,133	10,725	11,006	10,805	(201)	80
- Lawyer Referral Service	17,640	5,052	1,270	6,692	10,350	1,758	8,850	4,188	6,000	1,812	(2,850)
- Outreach, Committees, Sections & Local / Affinity Bars	110,617	110,914	41,716	59,249	134,500	90,938	133,000	130,750	132,750	2,000	(250)
- Diversity	47,464	42,182	5,919	20,462	36,700	13,073	37,250	37,750	38,750	1,000	1,500
- Lawyers & Judges Assistance Program	38,461	25,991	14,800	6,491	23,600	13,970	28,000	24,250	34,050	9,800	6,050
- Information Technology Services	381,418	517,647	573,310	643,211	657,044	515,689	650,500	604,500	775,500	171,000	125,000
Total Other Operating Expense	938,232	906,733	746,721	778,524	1,079,949	778,840	1,073,875	1,013,579	1,232,705	219,126	158,830

**FY 2024 Proposed Budget Summary
Operations and Policy**

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	FY 2023 Budget	FY 2023 Forecast	FY 2024 Proposed Budget	FY 2024 Prop. Budget vs. FY 2023 Forecast	FY 2024 Prop. Budget vs. FY 2023 Budget
Operations and Policy											
Operating Revenues											
- License Fees & Related	7,732,040	7,750,310	7,732,165	7,764,197	7,653,000	7,675,680	10,929,500	10,833,630	10,795,000	(38,630)	(134,500)
- Chargeback to CPF	217,479	211,833	171,626	162,439	172,500	187,450	180,000	180,000	201,000	21,000	21,000
- ADS Service Fee	59,313	61,452	61,507	63,045	64,300	66,449	116,000	116,000	121,800	5,800	5,800
- Credit Card Fee	-	-	-	-	-	41,584	263,000	172,000	172,000	-	(91,000)
- Other Revenues	132,017	152,721	146,927	147,258	134,400	137,980	147,100	152,100	149,175	(2,925)	2,075
- Bar Journal Directory	74,358	40,231	39,645	13,914	-	-	-	-	-	-	-
- Bar Journal	167,549	149,326	146,149	151,511	146,050	158,260	150,500	150,976	146,000	(4,976)	(4,500)
- Print & Design Center	64,559	67,921	50,219	48,944	37,000	47,926	41,000	44,000	39,500	(4,500)	(1,500)
- Digital (Website)	40,547	59,109	51,610	70,659	48,500	68,174	47,500	45,000	40,000	(5,000)	(7,500)
- e-Journal	33,053	25,602	24,022	26,913	25,000	28,270	25,000	27,000	27,000	-	2,000
- Misc Revenue	-	10,000	-	-	-	-	-	-	-	-	-
Total Operating Revenues	8,520,915	8,528,505	8,423,870	8,448,881	8,280,750	8,411,772	11,899,600	11,720,706	11,691,475	(29,231)	(208,125)
Non-Operating Revenue											
- Investment Income	179,640	249,731	94,000	70,185	33,000	62,582	194,000	525,000	518,000	(7,000)	324,000
- Investment Income - Retiree Health Care Trust	202,417	384,630	328,761	824,417	-	-	-	-	-	-	-
- Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
- Loss on Disposal of Capital Asset	(34,963)	(4,000)	(17,570)	(8,793)	-	-	-	-	-	-	-
Total Non-Operating Revenues	347,094	630,361	405,191	885,809	33,000	62,582	194,000	525,000	518,000	(7,000)	324,000
Operations & Policy Salaries	-	-	2,016,644	2,127,323	2,241,653	2,178,608	2,410,513	2,410,513	2,521,463	394,140	290,166
Other Operating Expenses											
- Admin	32,522	36,865	31,454	82,289	97,200	99,170	106,500	112,450	112,800	350	6,300
- Depreciation	436,514	476,985	528,855	530,042	560,000	434,271	462,000	388,000	470,000	82,000	8,000
- Property Taxes (in lieu of)	69,178	74,405	77,839	74,321	78,000	81,034	81,000	85,000	85,000	-	4,000
- Financial Services	258,599	286,625	274,438	311,600	348,590	286,095	384,050	310,263	318,650	8,387	(65,400)
- Bar Journal Directory	83,164	53,908	53,165	1,650	-	-	-	-	-	-	-
- Bar Journal	509,212	504,917	440,712	397,960	381,040	334,934	353,350	370,820	395,350	24,530	42,000
- Print & Design Center	61,487	65,391	42,139	37,144	53,850	43,318	63,600	56,460	55,800	(660)	(7,800)
- Digital (Website)	127,015	87,783	105,383	89,476	129,100	104,197	121,500	111,600	124,500	12,900	3,000
- e-Journal	36,080	32,932	36,228	31,342	16,005	14,644	16,245	16,245	16,245	-	-
- General Communications (Media Relations)	67,742	56,936	31,658	11,586	33,350	7,306	14,000	10,350	16,600	6,250	2,600
- Executive Office	65,147	89,965	59,943	29,255	65,950	33,711	63,950	45,172	57,200	12,028	(6,750)
- Board of Commissioners	147,100	141,644	35,261	47,581	133,250	83,874	132,800	126,737	137,300	10,563	4,500
- Representative Assembly	54,723	48,078	788	13,800	54,200	23,799	55,700	32,800	51,800	19,000	(3,900)
- Governmental Relations	66,629	70,482	57,300	56,735	68,620	56,936	67,670	65,570	69,920	4,350	2,250
- Research & Development	26,855	21,751	29,773	14,584	21,640	1,181	34,390	34,390	29,490	(4,900)	(4,900)
- Facilities Services	382,921	375,834	343,909	310,602	409,500	362,709	446,500	451,133	470,750	19,617	24,250
- Justice Initiatives (Combines PBI, RDI, JPI & CII)	51,888	137,828	132,363	127,156	137,275	131,559	138,725	137,423	138,275	852	(450)
- Criminal Issues Initiative	228	-	-	-	-	-	-	-	-	-	-
- Pro Bono Initiative/ Pro Bono	13,490	-	-	-	-	-	-	-	-	-	-
- Resource Development Initiative	76,356	-	-	-	-	-	-	-	-	-	-
- Justice Policy Initiative	132	-	-	-	-	-	-	-	-	-	-
Total Other Operating Expense	2,566,982	2,562,329	2,281,207	2,167,121	2,587,570	2,098,737	2,541,980	2,354,414	2,549,680	195,266	7,700

Administrative Fund	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Budget	FY 2022 Actual	FY 2023 Budget	FY 2023 Forecast	FY 2024 Budget
Beginning Position	12,277,875	12,800,771	12,217,220	11,571,909	11,773,223	11,773,223	9,813,124	9,813,124	11,501,116
Ending Position	12,800,771	12,217,220	11,571,909	11,773,223	9,685,534	9,813,124 (1)	10,926,799 (1)	11,501,116	12,394,336
Retiree H/C Restricted Assets**	1,500,028	1,953,454	2,389,256	3,350,208		2,374,069 (4)			
Change	(541,335)2(3)	(583,551) (3)	(645,311)(3)	201,315 (3)	(2,087,690)	(1,960,099) (1)	1,113,675 (1)	1,687,991	893,220

Notes:

- (1) Budget and forecast do not include income of healthcare trust and GASB 68/75 year-end adjustments for pensions
- (2) Excludes the effect of FY 2018 accounting adjustment.
- (3) Actuals include Retiree Healthcare Trust income.
- (4) Net Retiree Healthcare Trust assets as of May 31, 2023 were \$2,801,570.

**State Bar of Michigan
2023 50-Year Golden Celebration Luncheon
Event Summary**

Name of Event: 50-Year Golden Celebration Luncheon
Date(s) of Event: May 25, 2023
Location of Event: Saint John’s Resort Plymouth, MI

Total number of attendees:	2023	2022*	2019
	<u>Plymouth</u>	<u>Novi</u>	<u>Novi</u>
50-Yr Honoree	158	141	128
Guests	205	149	206
Commissioners	7	7	13
Staff	10	12	11
Past Presidents	4	4	3
Total	384	313	361

*Included 2020,2021 and 2022 honorees.

Evaluation Summary

The 2023 50-Year Golden Celebration was held at the Inn at St. John’s, now known as St. John’s Resort, and was an outstanding success, receiving a net promoter score of 85 and excellent ratings on the post-event evaluation. This venue has undergone construction and remodeling since our last event here and the new pre-function space provided an area for attendees to mingle and reconnect before the luncheon started.

This year, for the first time, Michigan law schools were invited to attend and set up a table to connect with their alumni honorees before the luncheon. University of Michigan Law School, Michigan State University (Detroit College of Law), University of Detroit Mercy School of Law, and Wayne State University Law School all sent representatives and were very pleased with the reception they received. Both the law schools and the honorees appreciated this development and the law schools have requested to participate again next year.

The program featured the Forum Shoppers, our traditional all-lawyer barbershop quartet, which is always a favorite. The trivia show was brought back to the program in a different format, with live trivia hosts and music themed to the time period. Some honorees thought the trivia portion of the program lasted too long but most found it an engaging activity and liked the lighthearted atmosphere.

Overall, the event was incredibly well received – attendees enjoyed the beautiful venue, the meal, the program, and of course, camaraderie. One attendee commented “Beautifully organized from alpha to omega, making honorees feel truly honored.”

State Bar of Michigan Great Lakes Legal Conference Event Summary

Name of Event/Date: 2023 Great Lakes Legal Conference, June 9-10
Location of Event: Grand Hotel, Mackinac Island, MI
Registration Fee: \$185 before May 9, \$225 after May 9
Hotel Registration Fee: \$557.14 single (tax & fees included); \$100.70 guest.

	2019*	2022*	2023
Registered Attendees	153	157	182
Board of Commissioners	29	28	30
Speakers	17	14	13
Staff	14	13	12
Guests	127	136	145

*2019 and 2022 represent combined totals for Bar Leadership Forum and Upper Michigan Legal Institute

Evaluation Summary

This was the inaugural year of the Great Lakes Legal Conference, which combined the traditional programs of the Upper Michigan Legal Institute and Bar Leadership Forum, giving attendees the full value of both previous events with an additional programming track and ability to customize their schedules. This event received a net promoter score of 47 and most of the attendees rated the sessions, the location, and date as excellent.

Joan Howarth, Dean Emerita of MSU College of Law, kicked off the conference with a keynote session on *Shaping an Inclusive & Client-Centered Profession*, a timely topic and highlight of the conference for many attendees. Saturday's general session with Justice Elizabeth Clement and former executive director Janet Welch on *Change is Inevitable. Except in the Legal Profession?* was interesting and well received, though some would have liked this to be a longer session with more time for questions. John Cameron (*Real Property Law: New Developments and Practice Tips*) and James Harrington (*Family Law Updates*) continue to receive rave reviews by keeping their audiences fully engaged, and Molly Ranns' breakout on *Lawyer Well-Being: Creating Awareness, Balance, and Connection* was well-attended, insightful, and impactful.

Overall, attendees loved the variety and quality of relevant topics offered paired with the opportunity to network with colleagues at a beautiful location. They especially liked the practical nuts-and-bolts sessions and substantive legal updates, although several commented that both sessions and breaks could be longer to allow more time for Q&A and conversation. The high-level skill and knowledge of the presenters was remarked upon multiple times, along with the timeliness of the topics to today's legal practitioners.

One attendee's comment, echoing the thoughts of many, summed up their experience at the first Great Lakes Legal Institute like this: "From the engaging panel discussions to the networking opportunities with top legal professionals, every moment was a testament to the immense value this conference brings. I left feeling empowered, inspired, and armed with practical insights. I would definitely recommend!"

SBM

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